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INDUSTRIAL PEACE

Periodicals
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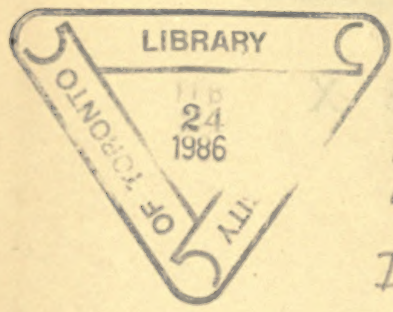
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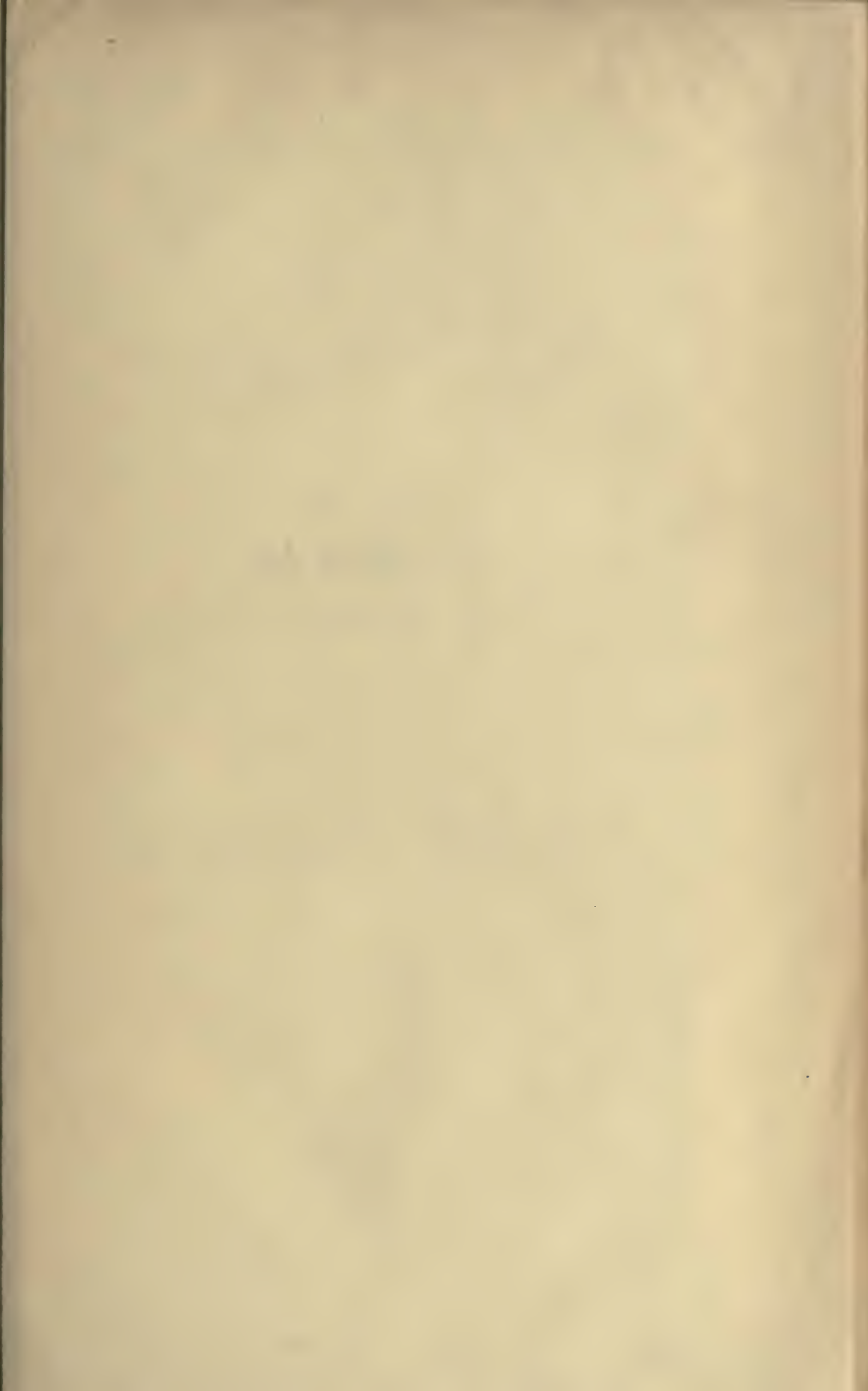
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No. LV

MARCH

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"We must achieve economy through efficiency
and not seek efficiency through economy."

INDUSTRIAL PEACE

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INDUSTRIAL PEACE

UNEMPLOYMENT AND PUBLIC RESPONSIBILITY.

THE depression in trade is rapidly reaching a critical stage. The financial burden which it entails for the State and local authorities grows heavier as time passes. Hope deferred has made the hearts of employers and their workpeople sick. Politicians and trade newspapers have heralded the dawn so often that they are no longer taken seriously. We are in danger of becoming apathetic as a nation and of accepting unemployment, misery and destitution on the present scale as inevitable. Are we but helpless victims at the mercy of forces beyond human control? Can nothing be done, if not to restore prosperity, at any rate to lessen the intensity of the depression and so mitigate the suffering of the industrial community? The reply is that there are strong grounds for the belief that courageous action on the part of those in authority would achieve much in this direction—enough, indeed, to change the mental attitude of the community and to create sufficient momentum to tide the nation over the most critical period. We are not unmindful of the international forces which are in operation and the almost universal character of the economic problem, but the intensity of the depression is due, in part, to the policy we are adopting in the midst of a difficulty which is not of our own creation, and which we cannot, of our own volition, completely overcome.

If we are to recognise the extent of our own collective responsibility in the matter we need to examine the nature of our economic organisation before the outbreak of war. Some people ministered to our immediate needs, providing what we ate and drank, or the means of paying other countries for what we imported from abroad. But a considerable proportion of the working population was employed in preparing for the morrow, that is, in adding to the legacy of capital goods which each generation bequeaths to its successor, and which enables a growing population to enjoy a steadily rising standard of comfort. Some of this capital development was due to private enterprise; not a little, however, was due to the State, to local authorities, and to public utility trusts, such as dock and harbour boards, railway companies, etc. When the capital owned by such bodies is added to the

amount spent in recent years on housing, it is probable that the total represents a very large proportion of the recent additions to capital invested within the country.

During the war no important additions were made to the capital stocks of the bodies to which reference has been made. When, therefore, the war came to an end there was much to be done. But no serious attempt was made to overtake arrears—and rightly so. There were more obvious and urgent things to be made first, and these necessitated the employment of all the available labour. But when the most important requirements had been met and the pace was beginning to slacken, public and semi-public authorities still held out, and so accelerated the depression and intensified it when it arrived. Why should this be so? The explanation is to be found, as far as public authorities are concerned, in a combination of circumstances, of which the three most important may be noted. The first is that public authorities—particularly city councils composed largely of people drawn from local industries—are influenced by industrial conditions. When trade is brisk and employment adequate, and a feeling of optimism prevails, that feeling is communicated to the local authority which, seeing the community prospering, believes itself to be justified in planning and putting into operation ambitious schemes of development. It thus comes on the market when traders are already satisfied and the demand for capital has stiffened the rate of interest. Its action accentuates the boom in trade, and incidentally adds to the cost of city development. During a period of depression the prevailing feeling of caution, if not pessimism, is communicated to the local authority, which changes its policy and justifies its action by referring to the state of trade. Its action intensifies the depression. The policy of municipalities is thus frequently the reverse of what it should be.

In the second place, the cry for economy has been raised, and local authorities feel compelled to respond to that cry. And economy, in the narrow sense of the term, is even more popular in local affairs than in national. The great majority of the electors are manual workers, clerks and others in receipt of small and moderate incomes. The prospect of a reduction of sixpence or a shilling in the income tax is not welcomed so warmly as a corresponding reduction in local rates. The distribution of the latter differs from that of the former, which is spread much more evenly over the community. It is true that much of the capital invested by local authori-

ties produces a revenue, and is normally less likely to be burdensome than to be an instrument used to reduce the rates. But in the present circumstances, when essentially reproductive enterprises are often operated at a loss, the prospect of any further expenditure is viewed with dismay. Closely connected with this is the third consideration, namely, that the cost of development appears abnormally high. Wages and the costs of materials are falling, and if a local authority incurs heavy capital expenditure it may be compelled, in the near future, to write off a considerable sum as dead loss. It thus feels that, in the interests of the ratepayers, it should postpone development until wages and other costs have reached a lower and more stable level.

There appears at first sight to be considerable justification for the policy now being pursued by local authorities. Nevertheless, it is fundamentally wrong. We do not desire to suggest that public bodies should not economise in the sense of adjusting wages and salaries in such a way as to secure comparative equity, nor do we criticise their endeavour to get rid of surplus labour. Such economies are always desirable—and necessary. But to economise in the sense of refraining from incurring expenditure to secure things which are in themselves desirable is to make confusion worse confounded. If, two years ago, when everybody was fully employed, it was the duty of every individual and public authority to economise in the sense of standing aside in order that labour might be concentrated on essential and urgent services, it obviously cannot be their duty to do so now, when labour is seeking employment. Public authorities should dovetail their demands into those of private businesses, and in this way stabilise employment. If they wait until wages and costs reach 'rock bottom' they will wait till Doomsday. If, however, they now step into the market for labour and capital the effect will be to assist in creating precisely that stability for which they are waiting.

The point calls for elaboration. A local authority has hitherto accepted no obligation in respect of people living beyond its own boundary, and if it 'created work' it would be in the interests of its own inhabitants. But in most cases the effect of its action would be to create employment elsewhere, and the effect outside its own boundaries calls for emphasis. If, for example, Liverpool decided to extend its tramway system, not only would it give employment to many unskilled workers in Liverpool, but it would place orders for

rails, trams and materials to factories on the North-East coast and in other places. If all municipalities did likewise the result would be a real revival of trade in the steel and other industries. If *all* municipalities decided now to make up the leeway due to the war and its consequences we should witness a considerable improvement of trade throughout the country for that period which is likely to be required before embarking upon a scheme for the reconstruction of Europe. It is, therefore, the clear duty of public authorities to follow a policy of this character, which would not only lessen the intensity of the depression but also tend to modify the boom by which it will be followed.

But, it may be asked, how can this be done? Are we not suffering from a shortage of capital? The reply is that capital is an ambiguous term. If it is used in the sense of capital goods, clearly we can never have too much of it. If, however, by capital is meant money capital, we have but to turn to the financial columns of any newspaper to realise how great must be the supply which is now seeking investment. From every point of view a bold policy appears to be the only alternative to a policy of despair and inaction. Far better that we should risk losing ten million pounds of capital in future by employing men in making things which are going to prove useful, than spend a hundred millions maintaining them in a state of idleness which they dread and hate.

This is not wild theory. The Government has, by implication, admitted the truth of what we have said. In the first section of the Trade Facilities Act of last year it offers to guarantee the interest on capital borrowed by public utility and other companies for purposes of development, provided such loans are approved by the Board of Trade. The Government obviously realised the difficulties which currency deflation was creating, and its effect in retarding railway development and similar enterprise. If enterprise on the part of public utility and railway companies is both desirable and practicable, why should it be undesirable and impracticable when proposed for public authorities? Great emergencies call for bold policy. If all local authorities drew up programmes of their requirements during the next six years, and proceeded immediately as though they were urgent requirements, they would probably lose in interest during the period of waiting until they matured, but they would also save considerable sums by borrowing now when loans can be issued at relatively low rates rather than later when interest rates will be relatively high.

THE DEVIL.

I FIND great use in the Devil. I say 'find' not 'found,' hoping for his reinstatement and praying that he may come with power. The men of this latter age have killed him, or left him for dead. Such is the shallowness of their minds and the absurdity of their principles. In him they have destroyed a Spiritual Agent. They have made away with that Being who, using mankind's thoughts and desires and corrupting their hearts, plans evils and sufferings and brings them to pass, bearing witness therein to God's goodness and patience and the follies and the sinfulness of men. But though the Devil be believed dead, sin and folly flourish. Nay, they flourish the more. For now they are not understood to be but spiritual evils flowing from the corruption of men's hearts and desperately hard to conquer. There being no longer, in the general view, a Devil, these evils are thought to have no roots or but shallow ones, and no causes but such as can readily be changed by bold and artful innovators, or be playfully managed by those that have skill.

They that have killed the Devil, or think to have killed him, are murderers of their own conscience. For since that fell Being, that lies ever by the very door of men's hearts, is removed, as they think, so that he may no more solicit them to do evil and fight that it may be done in verity, their Conscience, made free thus from the Assailant within, scarce needs a keeper, nor think they that duty binds them to the keeping, but rather the contrary. In themselves they find no fault. It is the nature of a man, say they, to be drawn this way and that by the things that lie without him and act upon him as magnets act upon iron. Thus is he embarked upon his actions, seeking that which first sought him and laid hold upon him. He has no actions truly, but is himself acted upon. Therefore none may accuse or blame him, since the springs of his behaviour are without: and being rid of blame he loses praise also, though that is a small matter.

Consider how these follies work upon the course of public affairs. When evils spring up, none will confess to them. None will say this, 'I have sinned,' or even, forsooth, allow those evils to proceed from the general wrong-doing of all and the soliciting of the Devil that is at each man's shoulder

always. The system, they say, is to be blamed for all: whereby they mean the constitution and the usages of the Kingdom and those that are in the Government. Thus, to the Government they attribute evils and wrongs as being their cause and as having power and wit to cure them as well. By threats and clamour they are like to make the business of governing odious to those that attempt it, and ridiculous to behold, and utterly weak, yet swollen up with foolish actions and full of feverish sweat. For those that govern must seek to cure all wrongs and pains by continual amending of the System, since this System, as I have said, whatsoever it be, is the vicious cause of all evils, and especially of those that men heedlessly bring upon themselves. Our governors are as men on a treadmill: or they push a stone, like Sisyphus, uphill, their stone growing heavier at each step upwards. The more they strive, the more there is to do. There is no peace or rest at all for them, for the unfathomable wickedness of men is their taskmaster, the Devil being dead and the System—thus is it named—having usurped into his place.

Therefore, if a man has fallen to brawling or disorder or idleness or has committed a crime, let none seek to punish him. The house he dwelt in was ill-made, or his master paid him niggardly, or he had no light of learning to guide him, so that his acts are not his acts truly but such as the System perverts him unto. Is the Realm rotting? Then must the Ministry of Health be called in, and the sword of Justice and Right put away. Is anything gone wrong anywhere? Let those that had the doing of it be immune and blameless, and let it be rectified in Parliament, for the System is alone blameworthy, not they. Let Conscience sleep itself out, by this reckoning: and let the State hobble panting after every folly and error so that the System may no more trip them up that are so prone to stumble.

Frail indeed are they whom the new times breed. While the Devil still lived and evermore assaulted mankind in the citadel of their soul, his very onset made them strong. The solicitations of wickedness make a man to know of what flesh and substance he is. If by God's help he overcome the Devil he profits in knowledge and fortitude. The overcoming of evil makes his will steadfast and is his soul's aliment. But the contrary sort, that fight not this battle against the Devil, since they believe him dead, but yield themselves to the System to do according as it may drive them, lose that steadfastness and

force they had. This new sort is a rambler and a prater. His feelings are easy to be stirred up. He plans how to better the world, but he loves not mankind. Nay, he loves nought, or only words : for love makes a man steadfast, as the Devil also does. He is weak towards himself : and though he falls into great excitement and seems to be passionate, his vice is his own feebleness rather than the strength of his passions. As he is ill-controlled, so is he not to be counted upon. Believing the Devil to be dead he confronts him not in his own heart, but evades away, and clamours vainly elsewhere. Though he is easily touched to the quick and abounds in indignation, he lacks true courage and endurance. This is the kernel of the matter, that he is loath to be held answerable for his behaviour. What follows therefrom is not so doubtful as to be hidden from any.

Thus are private conduct and public affairs made vicious alike. Instead of the confessor's box men resort to the polling booth. Voting pleases them better than penitence. To elect and to be elected is the sum of their desires. They trust to make themselves and others better by continual reforming of the System. Yet thereby can they never catch up with man's wickedness, or make weakness to become strength. Unless the Devil be fought and overcome in the heart his ravaging is without bounds. They that would evade him, hoping that the System will be their succourer, slip into the mire, and all their wallowing and bellowing brings them not back to the bank, but only farther and farther off. Where they seek succour and salvation these things are not. They desire to use political authority in order to increase virtue and abate sins and evils. Their plan, by ill-joining of means with ends, cures no evils at all, but provokes and increases many. Before long it must destroy political authority wholly. For the State, though it be powerful, when it is rightly used, and irresistible, can be shattered and dispelled by misuse. The root of by far the most evils is spiritual. It lies in the heart, where the Devil, fostering, waters and feeds it. *There* is the battleground.



THE FACTS OF THE CASE IN DIAGRAM, XXIII.

THE sustained interest with which the public awaited, received and discussed the three reports issued by the Committee appointed by the Government to make recommendations for reducing the National Expenditure on Supply Services is probably an unprecedented phenomenon in this or any other country. That all citizens, both taxpayers and others, should keep an alert eye on the spending of the national revenue is an admirable departure and on this account the Geddes Reports are to be welcomed, but, as too often happens when a complicated subject with far-reaching implications and liabilities becomes a general topic of conversation, the facts of the case are very apt to be distorted, and the true values discounted by exaggeration, misunderstanding and misdirection.

The perfervid scribe who brandishes his pen to the theme of "the Report, the whole Report and nothing but the Report" may be performing a political service, worthy or otherwise, but he certainly does not help to elucidate the matter with which he deals, nor to encourage his public to take a reasonable view of what should be a serious responsibility.

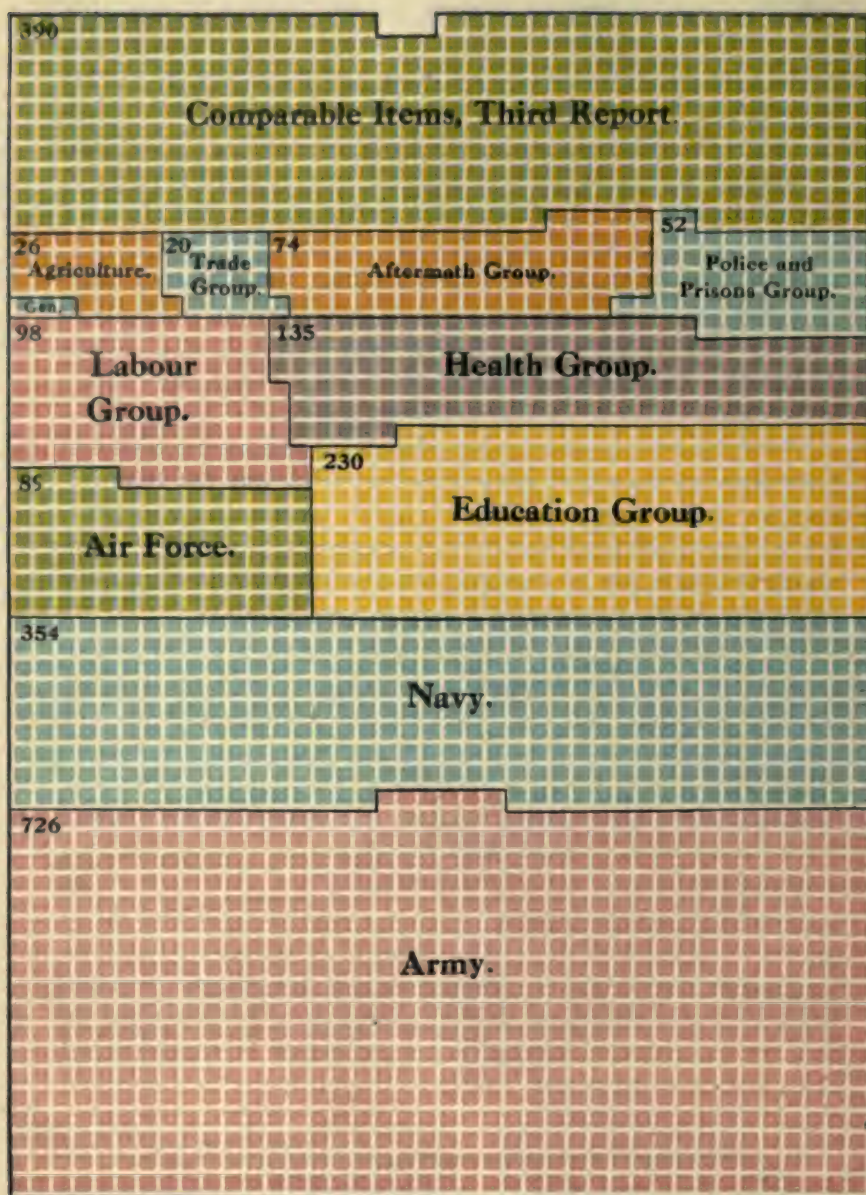
The diagrams which we publish this month are designed to correct some of the erroneous impressions that are current both with regard to the scope of the enquiry and to the magnitude of the difference between the expenditure recommended by the Geddes Committee and that adopted by the Government. The relation between the expenditure proposed for 1922-23 as compared with that incurred during the two previous financial years is also shown.

The diagrams in question do not cover the whole field of our national expenditure. The terms of reference confined the Committee to making recommendations for effecting reductions in expenditure on Supply Services. Transactions in connection with the interest on and reduction of the National Debt and other payments chargeable against the Consolidated Fund are not included.

In compiling the diagrams we have followed, so far as possible, the same sequence and methods of arrangement as those to be found in the Geddes Reports, but we have perforce omitted certain small items which were not strictly compar-

DIAGRAM No. 41.

(Note.—The figures in this diagram indicate the number of squares in each group.)

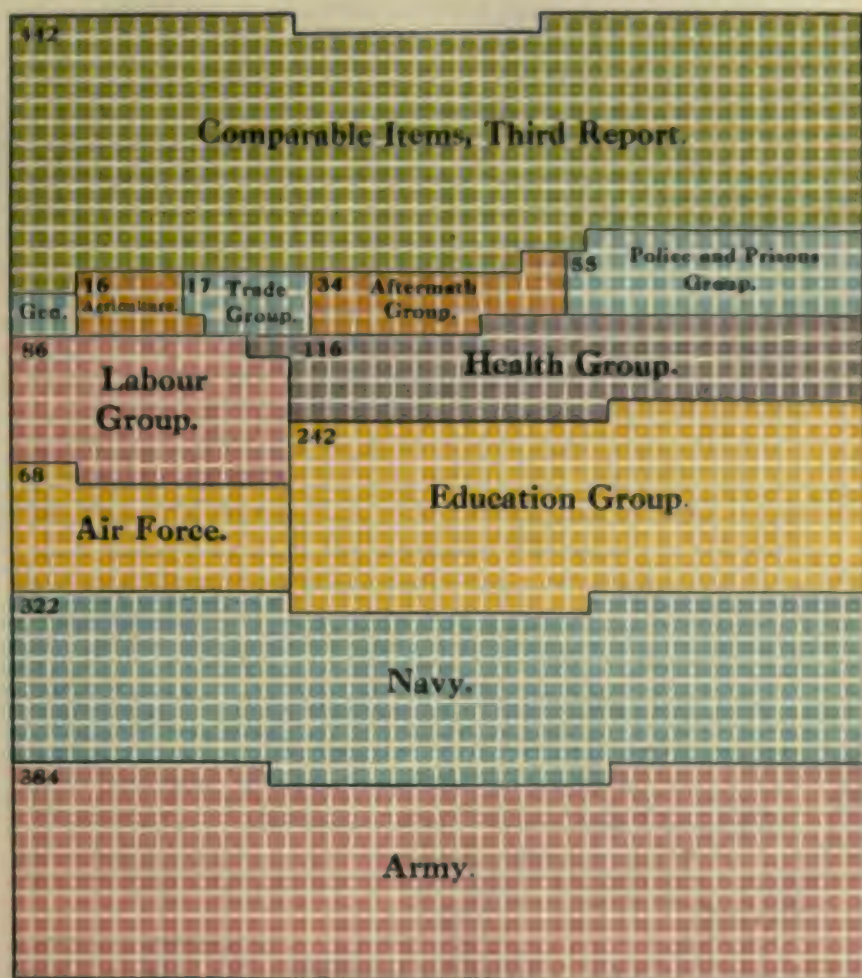


**National Expenditure on certain Supply Services in the
Year 1920—21.**

Scale: each square of colour represents £250,000.

DIAGRAM No. 42.

(Note.—The figures in this diagram indicate the number of squares in each group.)



**Estimated National Expenditure on the same services in the
Year 1921—22.**

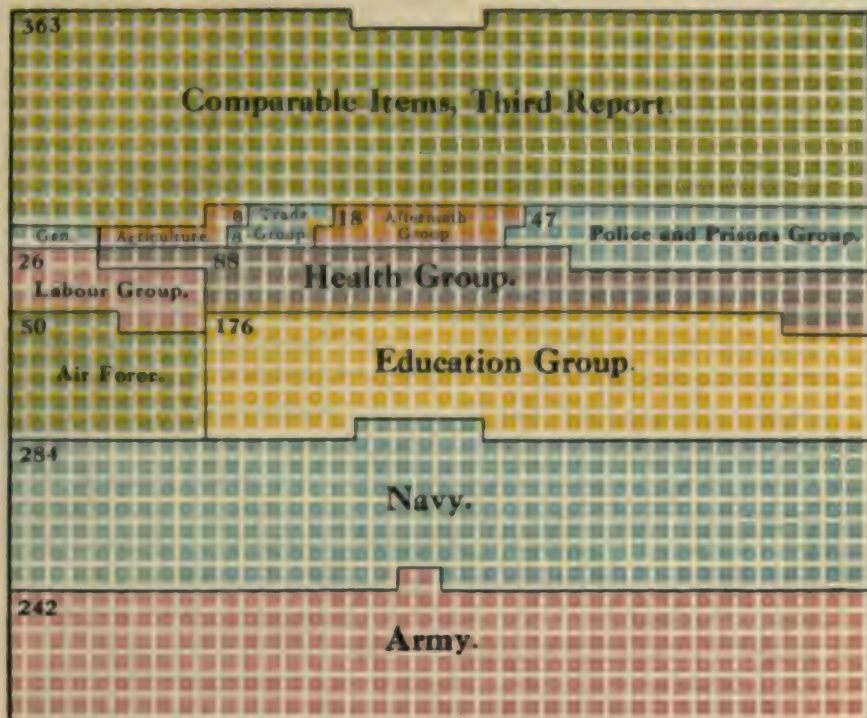
Scale : each square of colour represents £250,000.

able. We have also excluded all reference to four large groups of expenditure which, in our opinion, obscure the ultimate issues. The excluded groups are Unemployment Grants, Railway and Canal Agreements, Coal Deficiency and War Pensions. Our reasons for these omissions are as follows. In the year 1920-21 there was little or no unemployment. In 1922-23 only a nominal sum is set aside for that purpose. Unemployment, however, is such an uncertain quantity that no estimate of probable requirements is of any real value. Railway and Canal Compensations show a reduction in 1922-3 of £43,490,000 as compared with 1921-22, whilst the estimates for the latter year were nearly £30,000,000 higher than for 1920-21. These payments represent a liquidation of liabilities incurred during the war and are not subject to the ordinary laws governing the financial operations of the State. Similarly the expenditure in Coal Mines Deficiency is determined by Statute and outside the scope of the present survey. The question of War Pensions falls into a different category in so far that the Geddes Committee made certain recommendations which, if carried out, would result in a saving of three and one-third millions, but as the only change of any magnitude that is likely to materialise lies in the direction of capitalising a portion of our present liabilities, and as there appears to be no difference between the Government's proposals and the Committee's recommendations, we considered it unnecessary to overload the four diagrams with a constant factor of nearly a hundred million pounds.

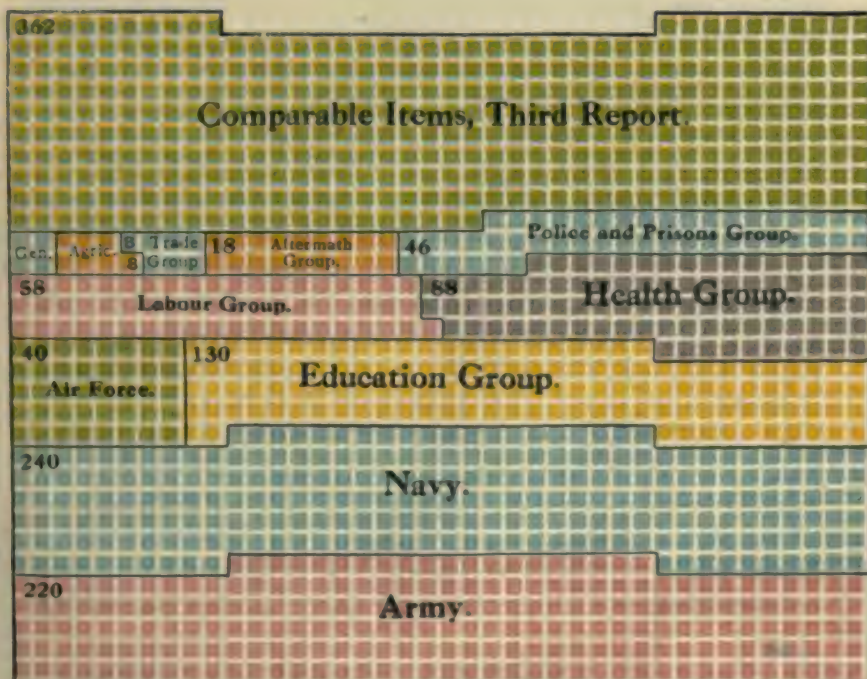
The aftermath group has been reduced to the proportions given in the diagrams by the exclusion of the Railway Agreements and Coal Mines deficiency already mentioned and contains only the Disposal and Liquidation Commission and the Treasury Securities Deposit Scheme. Both these items show satisfactory decreases and will disappear altogether in the course of the coming financial year.

The main points that emerge from an examination of the diagrams are (a) the progressive reduction in national expenditure since the year 1920-21, (b) the steep drop in expenditure promised for the year 1922-23, and (c) the comparatively small differences separating the Government proposals and the recommendations of the Geddes Committee.

(Note.—The figures in these diagrams indicate the number of squares in each group.)



Proposed National Expenditure on the same services in the Year 1922—23.



National Expenditure on the same services for the Year 1922—23 as recommended by the Geddes Committee.

Scale : each square of colour represents £250,000.

TRADE AND FINANCE, VI.

A SHORT time ago the Chancellor of the Exchequer, in reply to a question in the House of Commons, stated that the Treasury would restore gold as the medium of international payments as soon as it was 'possible and desirable.' The question was evidently not one that suggested itself in an idle moment, for a few days later the City Editor of the *Times* pointed out (in the *Trade Supplement*) that the difference between the actual dollar value of the pound and its pre-war value was exactly the difference between the present general level of prices in the United States and this country, the consequence being that, provided the identity was not merely momentary and accidental, but likely to continue, gold could safely be employed by this country in its trade with America. The question is worthy of close examination. The prospect that we may soon rejoin the gold-using countries is one which is welcome to the instinct of the Britisher, who has always associated instability of currency and trade with the absence of gold from the monetary system. But if we are to reach any useful conclusion on the matter we must first examine the factors governing the rate of exchange under the present abnormal conditions and consider the implications and corollaries of a return to the gold standard. In the present article we shall restrict ourselves to the first of these points, reserving consideration of the gold question for the next article of this series.

It may be wise to reduce the problem to its simplest form and to assume that two countries which trade with each other are isolated from the rest of the world. Assume, further, that each of the two countries, say England and Germany, uses a paper currency, pounds in the one case and marks in the other. The people of the two countries trade with one another, and expect, as the result of such trade, to receive payment ultimately in the currencies of their respective States. It thus becomes necessary, from the start, to establish some equation between pounds and marks. What is that equation? How is it arrived at? The purchasing power of a pound in this country is determined roughly by the number of pounds in circulation. If the number of pounds is doubled, their purchasing power—other things being equal—is reduced by one half. If the number of pounds in circulation is multiplied by ten their value or purchasing

power is reduced (other things being equal) by nine-tenths. Thanks to the experience we have acquired during the last few years this theory is now accepted as a truism. If any reader is inclined to doubt its accuracy he will find ample statistical evidence of its truth in official publications, such as those issued by the League of Nations. What is true of this country is also true of Germany.

The rate of Exchange which will be established between the two countries under normal trade conditions (that is, when exports balance imports) can be determined by comparing the general price-levels in the two countries. Suppose a certain quantity of 'things in general' can be purchased in this country for one pound and in Germany for 300 marks, then the pound will exchange for the same sum in marks. The theory can be proved in the following manner. Suppose the rate of exchange were not 300 but 400 marks to the pound, what would be the result? Goods which cost 300 marks to produce in Germany could now be sold for 15s. in this country, where their cost of production is a pound. Imports from Germany would be enormously increased. Further, goods which cost a pound to produce in this country could only be sold for 400 marks in Germany, where their cost of production is 300 marks. Exports to Germany would thus fall off, and would be considerably less than imports from Germany. Our importers, having claims to meet in Germany, would compete eagerly for the marks possessed by our exporters, and since these are not sufficient, they would advance in price until 400 would command, not one pound, but 26s. 8d. Without pursuing the illustration further, it is evident that any serious deviation in the rate of exchange from 300 to the pound will bring forces into play which tend to bring the rate back to that point, which is the parity of Exchange, and is called the 'purchasing power parity,' probably for the purpose of distinguishing it from the gold parity to which we were accustomed before the war.

Reference has been made to the *tendency* of forces to bring the rate of exchange back to purchasing power parity. Such a tendency may be held in check—it may even be destroyed. Suppose, in the illustration, Germany suddenly found herself heavily indebted to this country, and suppose, moreover, that we pressed for payment. The German Government would be a strong competitor for pounds, entering the market against German importers who have payments to make in this country, and the rate of exchange would fall to say, 500 marks to the

pound. One of two things would follow. Either speculators in this country would step in and buy marks, thus making up the deficiency in the present supply of pounds needed by the Germans and anticipating a profit later on, when the abnormal debt had been paid and the mark had recovered some of its value; or speculators would not step in and the mark would fall to a very low price in pounds. Speculators would not support the market if there were no prospect of a recovery, and the prospect would naturally depend upon the amount and nature of Germany's indebtedness to us. (It should be observed in passing that the speculators to whom we refer are not those who 'deal in margins' and buy to-day to sell to-morrow, but those who buy to hold for a fairly long period, and are thus investors as distinguished from gamblers. Their action produces a stabilising effect upon the mark, but that of margin dealers intensifies fluctuations). The external value of the mark thus depends upon the amount which appears in the English market, the probability of repayment, and the probable date of repayment; and the last two of these are clearly largely determined by the amount outstanding.

From what has already been said many conclusions may be drawn. (1) Purchasing power parity is in one sense a stable parity; that is, it does not follow because both the pound and the mark were once based upon gold and then exchanged at the rate of 20 marks 45 pfennigs to the pound, that there is any tendency to return to the gold parity. On the contrary, there is, as will be shown, a tendency in the other direction. (2) In another sense the purchasing power parity is an unstable parity, a moving parity. For example, every increase in the internal issue of marks diminishes, *pro tanto*, their value in pounds. Hence, partly, the importance of a currency which, while possessing sufficient elasticity to meet the needs of trade, is independent of a weak government. (And so far as the issue of currency is concerned, all governments in the past have proved to be weak). (3) If the actual rate of exchange is at purchasing power parity, then the German price-level in marks, if expressed in terms of pounds, will be identical with the English level. And conversely, if the German price-level in marks, when translated into pounds, is identical with the English price-level, it follows that the rate of exchange is at purchasing power parity. Further, if the mark is depreciated in terms of pounds the German price-level in marks, when translated into pounds, will be below the English price-level. Conversely, if the German price-level in marks,

when translated into pounds, is below the English price-level, it follows that the rate of Exchange is depreciated. Here we reach an important practical point. The extent to which the German price-level (in pounds) is below the English price-level, indicates the degree of depreciation of the mark in terms of pounds. To illustrate the point, suppose the purchasing power parity to be 300 marks to the pound and the actual rate to be 500, then the German price-level in pounds will be three-fifths as high as ours, and the mark depreciated to 40 per cent. Now we know from available statistics that during the past two years German prices (in pounds) have been about half as high as ours, showing that the external depreciation of the mark is about fifty per cent., from which we conclude that the parity value of the mark has recently been between 400 and 500 to the pound—probably about 450. (4) The 'purchasing power parity' theory which has been described in this article is one which is applicable to all conditions, including those which obtained before the war in the gold-using countries and in countries such as India and Austria, which employed the system known as the 'gold-exchange standard.' We were so accustomed to the use of gold that our modern theorists assumed a gold standard in all their explanations. If, however, we go back to Goschen, or even to the writers of a century ago, we find that they paid far more attention to conditions such as those in which we now live.

Finally, it may be noted that the fluctuations in the value of continental currencies are not so violent as they appear to be at first. If we are to measure the real significance of a change in the value of, say, the mark, we need to express it as a percentage of the present parity. A change in value of 100 marks to the pound is clearly far less significant when the parity value is 500 to the pound than at a time when the parity value is 100 to the pound. A given percentage change calls for a greater absolute change as the parity value diminishes.



THE STRIKE WEAPON.

THE Great War, from which we have recently emerged, has taught us many lessons, but one of the most important of these is that war is a most unsatisfactory way of settling international disputes. Apart altogether from the terrible price that has to be paid in precious lives, in human effort, in wealth, in productive power, in disturbance of economic relations and in other ways, there is the overwhelming sense of the uselessness of it all. Might is not Right and the appeal to force, like the mediaeval Ordeal by Battle, almost inevitably leads to a decision in favour of physical strength, of mental subtlety, of equipment for the fight. Whatever the drawbacks or the failings of the League of Nations, that such a League has been formed at all is evidence of a general desire on the part of practically all nations to find an alternative to the futile expedient of seeking a settlement by means of an appeal to arms. Why should not such an institution be set up in the industrial world? In labour disputes there is exactly the same appeal to force, the same implicit confidence in one's ability to fight one's own battles and the same possibility of unsatisfactory result, for though the stronger side will most probably win, the stronger side is not always in the right. One of the most unsatisfactory features of a strike or lock-out is that it is a weapon which is uncertain in its aim and incalculable in its effects. It is directed by those who consider themselves to be the injured party against those they consider to have injured them. The strike is regarded by organised labour as a means of forcing employers to remove certain hardships, to act in some specified manner, or to modify their contracts in ways which they deem more just and equitable. But many of those who are most injured by the discharge of this weapon are likely, more often than not, to be persons altogether unconnected with the dispute, while it frequently happens that incalculable damage is done to the strikers themselves and to those dependent on them. As a means then of settling disputes the strike is unprofitable to the community as a whole as well as to the parties concerned. A strike in which the men have had a real grievance and as a result of which they may, after a long period of idleness, have gained all they originally asked for, can yet on the balance have ended in loss

to their side. The funds of the union have become exhausted, the savings of years have dwindled away, there have been weeks or months, as the case may be, of hardship, of suffering and of privation and all for want of a better way of settling the questions at issue.

When the Acts against Combination were first repealed strikes occurred in many directions, and this was not to be wondered at. At that time the only alternative to accepting the conditions offered was to refuse to work altogether, and it was only by refusing to work as a body that there was any chance whatever of obtaining better terms. But the state of things to-day is not what it was in 1824. Labour organisation can now claim to represent in a very different way the interests of the trade as a whole. The leaders are men of experience gained not only within their own organisations or in labour conferences, national or international, but also in the government of the country, whether as Members of Parliament or as members of the Cabinet itself. Hostility on the part of the employers to the system of collective bargaining has practically disappeared. The legal position of the Unions is a very strong one, and whenever they can make out a good case the men may be assured of a large amount of sympathy and support from the general public; while on the part of the Unions themselves there is no lack of evidence that they have come to regard the strike as a weapon to be resorted to only when all other ways of obtaining a settlement have failed.

This forces one rather to the conclusion that the present method of arriving at a decision as to whether or no a strike shall be declared could easily be improved upon. It is only natural that those who feel that they have a grievance or who consider that they are being unjustly treated, should in the heat of their resentment be only too ready to say "If we cannot get fair treatment we will not work at all." But the leaders, who are able to take a calmer and a broader view, might well consider a strike to be neither necessary nor desirable, and yet be powerless to prevent it in face of the majority vote that has been given in favour of such action. With whom should the decision rest? People in general are willing to leave the conduct of public business in the hands of their elected representatives in Parliament and of the ministers whom a majority in Parliament are prepared to support. Would it not be a wise thing if the members of trade unions would treat their representatives and leaders in the same way?

ECONOMY AND EDUCATION.

THE orgy of extravagance that invariably accompanies the state of war is necessarily followed, at a more or less respectable distance, by a cold fit of repentance and retrenchment. At such a time it is important to remember that economy consists first and last in policy. Cutting down expenditure is not economy unless such expenditure was originally non-productive. If a man unduly stints himself and his family in clothes and food and shelter, in order to save money, you cannot properly call that economy. The inevitable result will be ill-health, and if not doctors' bills, decreased efficiency. And in that word you have the definition of economy. We shall never economise until we take things in their right order. Efficiency is economy. We must achieve economy through efficiency and not seek efficiency through economy.

The average man and woman in this country is already convinced that large sums of money are being wasted on so-called education. But that is not necessarily because too much money is being spent on the service, but rather because it has not been well-spent in the past. The expenditure is uneconomical not because of its amount but because so much of it is wasted, And it must be termed wasted because it fails to show the children how to live.

One of the fundamental defects of social life in this country is the utter inadequacy of the urban housewife among the poorer classes of workers. Visitors from other countries cry out in horror at the helplessness, ignorance and idleness of girls in their homes. Complaints are made in this country that nothing is expected of the parents, and that the Board of Education is asked to do things which are essentially the mother's task. So they are, and so they must be until we have secured a generation of mothers educated for the vital functions they are called upon to perform. Upon the women—and more especially upon the wives of the very poor—devolves the task of keeping the men efficient; healthy, that is, in body and in mind; happy, vigorous, anxious to work hard in the factory or the fields because there is a home worth working for. The women, moreover, have to bear children and bring them up as good citizens. To do all this they must understand economy. They must know how to spend the money the

husband earns. They must understand the principles of hygiene. It doesn't matter whether they know how to bake buns, but they must know the type of cooking that will render food most appetising and nourishing. They must know a good deal about babies—both their minds and their bodies. They must understand the use and abuse of clothes, of heat, of light and air. And in addition to all these things they must have some foundation of knowledge that will carry their ideals outside the limits of the family.

It is true that in more ideal States, these things—with the exception perhaps of the conception of citizenship—are learnt naturally and without effort in family life, while the school concentrates its efforts upon the arts and sciences. But in education, as in industry, we have got to meet the actual demands of the moment. We are dealing now with a vast class of women who are the direct product of the industrial conditions of the first three-quarters of the nineteenth century. Throughout the first half of that century the vast majority received no sort of education and they spent long exhausting hours doing routine work in fear and under compulsion from the age of seven or eight years onwards. A generation grew up starved in mind, more ignorant of the things that matter than the birds and beasts who feed themselves under natural conditions. These girls, ignorant and apathetic, became the mothers of the next generation. Their children learnt nothing of value from them because they, poor souls, had no knowledge to display, and this second generation was absorbed by mill and factory at an almost equally tender age with, at most, the addition of a knowledge of reading and writing. The housing in the towns has been admittedly bad, and with ignorance and apathy coupled with insanitary conditions things have not tended to improve.

One of the greatest economies that this nation can effect would be that we should adapt our educational system for girls, for at least a generation, to the task of teaching them how to grow into efficient women. The Scandinavian countries can offer us a good many examples of how we might effectively economise in our educational expenditure. One experiment successfully carried out in Sweden and since adopted in Norway and, I believe, Denmark, is particularly worth immediate attention because it is so exactly suited to our present problem.

The Swedes, like ourselves though to a very much smaller

extent, found themselves faced with the problem of how to deal with the wives of to-day who have grown up in ignorance and are beyond the reach of ordinary educational methods. They felt that although they could work to avoid the recurrence of this state of affairs among the women of the coming generation, it would be good economy as well as common humanity to try to extend some little help to the young wives and mothers who needed it and realised their need. It was the municipal council of Gothenburg who first devised a way of providing welcome assistance that was adequate and inexpensive. They saw that such women are not easily able to attend classes. Moreover, class teaching is apt to be slow and inadequate when wants are very diverse. The problem of how to help these women was solved by the engagement of three women trained in working-class housewifery. These "Home Counsellors" (Hemkonsulenter), as they are called, visit the home of any working-class wife who invites their assistance and there endeavour to teach her the proper way to run the house. A course consists generally of four whole days' instruction. The "counsellor," in consultation with the housewife, first draws up a menu for the week suitable to the size of the housewife's purse. The two then go to the market where a lesson is given in how to choose the best kinds of food, relative to the money spent. At home the food is prepared for consumption. The proper use of kitchen utensils is demonstrated and the wife is shown how to cook the food in a variety of simple and appetising ways. Simple methods of keeping accounts and the value of properly apportioning the weekly expenditure are explained. The right way to wash and iron, as well as the cutting out, making and repairing of clothes may also be shown. The work is intended to be educative in the true sense and to awaken the desire for better things, while showing easy routes to their attainment.

Good management in the home is the beginning of all national economy. The value of wages is greatly conditioned by a knowledge of how to spend them. Here in England where the economy of the kitchen is notoriously bad, a comparatively inexpensive service of this kind might effect untold economy by helping the working-classes to reach a better standard of living.



THE INDUSTRIAL DIFFICULTIES OF ITALY, II.

(A short series of articles devoted to an analysis of the conditions under which Italian industry is struggling to form and carry out a definite programme of productive industry.)

In October, 1921, agreements had been arrived at in all branches of industry wherein the workers and their leaders both recognised the necessity for a reduction in wages. The only outstanding agreements were those affecting the engineers, the chemical workers and the weavers. The situation was somewhat disquieting, and the difficulties were increased by the fact that the employers' proposals contained references to the possibility of prices rising again. At this point, seeing that they could no longer defer the wage-reductions, the General Federation of Labour had recourse to a stratagem. Though aware that the public had at length realised the fact that industry could not sustain such high wages, this leading labour organization put forward a demand for Government intervention against any reduction, and asked for an enquiry into industrial conditions. On October 9th the Governing Council of the Federation examined the labour situation which had resulted from the dispute still in progress with the weavers, engineers and chemical workers. The Minister of Labour was then approached with the proposition that a commission should be appointed to enquire into the actual conditions of industry, in order to settle the eventual proportionate share of profits to be received by capital and labour. It was also proposed that, in order to avoid further disputes, all wage reductions should be postponed until after the Commission had given its report.

The General Federation of Labour advanced the following statements in support of its request: (1) That wages constitute one of the minor charges in the cost of production. (2) That the cost of raw materials has decreased, and yet in spite of that prices are rising considerably. (3) That this rise in prices is chiefly caused by the political tariffs, for which the employers are responsible. (4) That the main body of workers are struggling for the minimum necessary for a decent living wage. (5) That the Federation must insist, in a friendly spirit, that the question of wage-reduction should not be decided until the true conditions of manufacture and agricul-

ture have been ascertained. (6) That in the case of a reduction in wages, there should be a corresponding reduction for the capitalists.

The Federation then proposed that it should call a truce to all disputes if, for each industry in which the wage-question is under discussion, the Minister of Labour would appoint a Joint Commission to make an immediate enquiry into conditions. This was the formal proposition, but there was more behind it. It was intended to re-open the way for a revival of the question of the control of industry by the workers, which had, as already stated, been advanced in September 1920, when the disastrous occupation of the factories by the workers took place. There was also a scheme for dragging the whole question of tariffs into the discussions upon wages.

The Minister of Labour, faced with these demands, invited the General Federation of Italian Industries to express their point of view. This Federation stated that, in their opinion, the demand for an enquiry was put forward solely from political motives, and could only be acceded to by the Minister for political reasons. They maintained that the action of the Labour Federation was due to pressure brought to bear upon the leaders by the ever aggressive Communists. They further expressed the opinion that every fresh Government intervention could only serve to retard any definite economic settlement, and must further hamper production by increasing the element of uncertainty. An impartial enquiry was not opposed because the employers realised that Italian industry has everything to gain by making known to the public the difficulties and obstacles which it has to encounter. It was, however, claimed that it would be impossible to consent to the postponement of the new wage standards until after the enquiry. If the State wished to control wages in private industries, Italian employers would demand a State subsidy to meet the increased cost of labour, such as was asked for, and obtained from the English Government, by the mine owners. The Italian Exchequer, with a National Debt of 87½ milliards (lire) and a foreign debt of about 20 millions in gold—equal to 80 milliards of Italian lire—with an annual interest of 1,337 millions in gold, could not possibly support such an additional burden.

The Government accepted, substantially, the points raised by the Federation of Italian Industries, and in October appointed a Commission of Enquiry composed of three groups

of eight members each representing the Government, the Employers, and Labour. This Commission was to examine industrial conditions, taking into consideration the general state of trade, the exchanges, the money market, exports and imports, prices and cost of living. Their terms of reference did not include any investigation of the remuneration of the various factors concerned in production.

Notwithstanding the vigorous protests of labour organisations the Government rejected the proposal to postpone all wage discussions until the report of the Commission is published. This decision did not satisfy the General Federation of Labour who saw the possibility of organising a general upheaval thus eluding them. Fresh pressure was therefore brought to bear upon the Government, but the Minister of Labour held firm and made it quite clear that nothing would induce him to alter his decision to leave the discussions to follow their own course without interference. The whole question was thus eventually amicably settled and reductions in wages were brought about in nearly all the industries.

At the end of January the Commission of Enquiry met for the purpose of drawing up its programme, arranging that each section, employers and labour, should prepare reports of their investigations according to specified groups of industries and certain economic factors. This information is still to be discussed in general conclave, after which the Commission will present its report.

The groups of industries concerned are the textile workers, metal workers, chemical workers, builders and electrical workers. The enquiries to be carried out in each group of industries must include reference to actual conditions prevailing in the years 1913 and 1921 as regards (1) cost of raw material; (2) wages in workshop and office; (3) cost of motive power; (4) cost of transport by land and water; (5) taxation (customs and taxes); (6) commercial and banking interests; (7) failures; (8) general expenses. These investigations and the reports upon them must not be confined entirely to the estimated alterations as incident to the cost of production in Italy, but must also throw light upon the whole position in relation to foreign conditions at the present time.

At its sitting during February the Commission examined the situation in the textile trade, and at its next meeting it will deal with the metal-workers, engineers and dock labourers.

(To be continued).

FOOD FOR THOUGHT.

ANYTHING more unsatisfactory or perplexing than the position prevailing on the eve of the lock-out in the engineering trade, fixed for the 11th March, would be difficult to imagine. The stage is set for a conflict between the constituent halves of one of the greatest industries in the country at a time when the most urgent need for both parties, for the nation and for the whole world, is peace. At such a moment it might at least be expected that the *casus belli* in point should be resolved into its simplest factors, so that there should remain no possibility of doubt with regard to the precise nature of the quarrel. But this is far from being the case at the present juncture. Both sides have published manifestos in which they give contradictory versions of each other's attitude. Both affirm that the issue is vital to their continued existence, yet neither define that issue in such a way that the public can form an opinion, not only upon the merits of the case, but even upon the actual line of cleavage. Can it be that wisdom is so bankrupt that organised bodies of responsible men are prepared to enter upon so momentous a course of action without being able to formulate the naked proposition without ambiguity or reserve?

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The dispute is twelve months old and has passed through so many phases, involving so many side issues, that anything like a detailed examination of the pros and cons of the situation cannot here be attempted. There are, however, certain considerations of a more general character which may help to elucidate matters and which may therefore be submitted with advantage. In the first place it must be regarded as certain that both parties are in earnest (in spite of the fact that only some twenty-five per cent. of the concerned engineers took part in the recent ballot), for the circumstances are such that none but madmen would embark light-heartedly upon so formidable a conflict at so inauspicious a time. The prevalence of unemployment and the depleted condition of the trade union treasury are eloquent reasons why the A.E.U. should hesitate before allowing their members to embark upon a trial of strength unless such a course appears unavoidable. On the other hand, the engineering employers simply cannot

afford to pursue a policy which is detrimental to their industry in the main. They recognise, more clearly perhaps than anyone else, that the perpetuation of unrest in the workshops is ruinous, and they have everything to lose and nothing to gain as the result of any set-back that will delay the advent of the eagerly awaited revival in trade now just shewing signs of life. To them, more obviously than to the men they employ, the chief desideratum is a maximum of manufacturing activity combined with a minimum of internal friction. By instinct and by training employers are wont to look ahead, to calculate chances in advance; they are not swayed by theoretical considerations, but take a matter-of-fact view based on practical experience. When, therefore, they assert unequivocally that the essence of managerial control is interfered with under the existing régime to an impossible extent, we may safely assume that they are speaking by the book, that is to say, from actual experience of workshop conditions at the present time.



The fantastic idea that anyone, at this stage of industrial development, should be so foolish as to suppose that Trade Unionism could be "smashed" (to use an overworked word) by any lock-out is not worth serious comment, and we shall not be far wrong if we treat as irrelevant the question of overtime. If the employers should proceed to the extreme length of declaring a lock-out in support of the claim that, despite the standard forty-seven hour week, they are entitled, at their sole discretion, to order overtime up to the limit of an additional thirty hours on ordinary production work, they would not have a leg to stand upon, and would themselves be "smashed" beyond hope of repair. In our view the kernel of the dispute appears to lie in the claim to employ "unskilled" men on "skilled" work. This, as the A.E.U. Executive points out, would have the effect of reducing the standards of the industry to the level of an unskilled trade. It is only natural that the A.E.U. should resist such a tendency, and should be fearful of admitting the end of this wedge, however thin; but, unfortunately, they are here faced with one of those evolutionary laws that cannot permanently be circumvented. If so-called "skilled" work can effectively be performed by so-called "unskilled" men, such work is *ipso facto* unskilled, and no amount of phraseology can alter the fact.

DAY BY DAY.

(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry).

Feb. The Ministry of Labour index figure showed the cost of living to be 88 per cent. above that of July, 1914. The corresponding figure for February, 1921, was 151.

1st.

Changes in rates of wages during January caused a net reduction of £570,000 in full time weekly wages. About 3,680,000 sustained decreases.

Ninety-three trade disputes involved the loss of about 184,000 working days and caused some 18,500 people to be out of work.

Unemployment among trade unionists rose slightly to 16.8 per cent. and remained at 16.2 per cent. among workers under the Unemployment Insurance Act. The Employment Exchanges registered 1,906,000 as unemployed at 31st January and 288,000 as working systematic short time.

The General Federation of Trade Unions has prepared a Bill for Parliament providing for insurance by industry and for handing over the work of the Labour Exchanges to organisations of employers and trade unionists.

The Irish railway system, despite the intervention of the Government, is seriously dislocated by a number of sectional strikes.

2nd.

The Labour National Joint Council decided to appoint a committee of enquiry with the following terms of reference:—(1) To consider what causes are impeding maximum production in industries and services, from the standpoint of the interests of the community; and what improvements in organisation and direction can be suggested; (2) To advise the National Joint Council on a labour policy for those industries to which nationalisation could not for the present be applied. . . .

Devon farm wages have been fixed at 34s. a week to Lady Day and 32s. from that date to Michaelmas for a 54-hour week.

The National Union of Boot and Shoe Operatives' second ballot shows a large majority in favour of accepting the terms offered. There will be a total reduction of 8s. in the wages of men and of 4s. in those of women.

Wages of steel-workers in the North of England are reduced 33 $\frac{3}{4}$ per cent. in accordance with the sliding scale

arrangement. The wages of bricklayers in the steel works will be 48s. for 48 hours—a drop of 50s. in twelve months.

- 4th. The National Federation of Professional, Technical, Administrative and Supervisory Workers held their second annual conference. There were present representatives of an aggregate membership of half a million. A motion in favour of the adoption of the principles of the Whitley Report in the industries represented at the meeting was strongly opposed and eventually withdrawn.

- 6th. Mr. George Lansbury and other members of the Poplar Board of Guardians were forcibly detained all night by "Organised" unemployed, who thus endeavoured to compel the guardians to continue their policy of giving poor relief beyond the legal maximum.

- 8th. English and Welsh Railway Companies are asking that the award of the National Wages Board on the Scottish application shall, in essentials, be put in operation throughout Great Britain.

Operative wool-combers in the Bradford worsted industry have definitely stated that they will not work more than 48 hours. They refuse to negotiate terms for overtime although there is no unemployment amongst their members. The Wool Textile Industrial Council is to be summoned.

- 10th. The Secretary for Mines reported to Parliament that the Mining Association of Great Britain had refused to co-operate in working Part II of the Mining Industry Act 1920, and thus rendered the Act abortive. Part II of the 1920 Act provides for the constitution of a system of committees representative of owners and workers. The Mining Association have refused to nominate members.

- 11th. Welsh tinplate workers accepted the Board's decision that owing to the condition of trade the $17\frac{1}{2}$ per cent. bonus in force during the last three months should be reduced to $7\frac{1}{2}$ per cent. The decision affects 27,000 workers.

- 13th. A deputation from the London District Council of the Unemployed organisations, escorted by a procession of about 5,000 men, demanded an interview with the Minister of Health to urge a revision of the scale of relief laid down by him. The Minister refused to receive the deputation on the grounds that such an interview would serve no useful purpose.

- 15th. Thomas Frederick Simmons, a perambulator manufacturer, who on December 12th was ordered to pay arrears of wages due under the Trade Boards Act, was fined £1,007 18s. on 87 summonses for the same offence and for having dismissed

from his employment men who gave evidence in the previous conviction.

16th. The National Transport Workers' Federation passed a resolution condemning the brewery trade for "its scandalous profiteering and its attempt to depress the economic standards of men and women employed in the industry." It was agreed to organise a boycott of the trade by the working classes.

The National Transport Workers' Federation unanimously rejected the employers' proposals for further wage reductions among dock workers. The proposals were rejected mainly on the ground that they showed no finality and gave no promise that wages would be stabilised at a rate not below subsistence level. The workers arranged to re-call the conference after their decision had been considered by the employers' side of the Joint Council for Port Labour.

17th. Sir W. G. Armstrong-Whitworth Company closed down their steelworks forge and stamping department at Newcastle because they cannot market their goods at present costs of production. Between 800 and 900 men will be thrown out of work.

18th. Nearly a thousand delegates attended a conference held by the National Union of Railwaymen to discuss that section of the Railways Act which provides for the establishment of district councils and departmental committees to supplement the work of the National and Central Wages Boards.

Workers in the publishing trade struck against a decision to lower the wages of packers and others by 5s. a week. The original proposal was for a 10s. "cut" and the present decision is the outcome of two months' negotiation.

19th. Eight hundred men employed in a Monmouthshire mine forcibly detained the manager of the mine and compelled him to sign an agreement to pay them the minimum wage of £2 14s. They complain that the minimum has not been paid and that their previous demands were met by the dismissal of 80 men.

20th. The national boycott of beer by members of the Transport Workers' Federation began. The fact that the Federation is not supported by any other sections of Labour practically dooms the attempt to failure.

21st. The Industrial Court began arbitration on the wages and conditions of railway shopmen. The interests of 15 railway companies, 30 trade unions and 110,000 workmen are involved.

22nd. In consequence of the rejection by ballot of the memorandum determining the managerial and trade union

authority, respectively, in the engineering trade, the Engineering and the National Employers' Federation have posted notice of a lock-out of all members of the Amalgamated Engineering Union after March 11th. The men's leaders recommended the acceptance of the measures but in the ballot 35,525 voted for and 50,240 against. The total membership of the A.E.U. numbers 407,000 and of these over 90,000 are unemployed.

23rd. The English and Welsh railway companies have withdrawn their application to the Central Wages Board for the extension of the Scottish award on hours and wages, and will negotiate directly with the unions concerned.

Engineering crisis: The A.E.U. have requested the Engineering and the Employers' Federation to confer with them. Both parties have agreed that whereas systematic overtime is undesirable, some overtime is necessary. The employers claim the right to determine when overtime is "necessary"; the union maintains that the matter should be decided by consultation between the two parties.

Mines Act, Part II. The Government declared its intention to allow this to remain inoperative. Attention was drawn to the previous unwillingness of the miners to adopt the provisions, and to the fact that the Act could only be successfully carried out if both parties willingly co-operated.

24th. Six avowed Communists are among the London Labour Party's official nominees for the municipal elections.

28th. Hertfordshire farmers and men have agreed to a wage of 7½d. per hour for a guaranteed 50-hour week.

At a meeting of the Workers' Union it was decided to accept a reduction of 5s. in the wages of brewery trade workers in the London area. It was stated that the Union had not been consulted about, and had taken no part in, the boycott of the Trade by the Transport Workers' Federation.

ECONOMICS STUDY SCHEME, II.

Candidates are urged to read carefully communications appearing monthly under this heading.

One or two Library cards have been sent without either name or address. Anyone who has applied for and not yet received the books they want to borrow should write to the *Secretary of the Scheme* at 20 Magdalen Street, Oxford, at once.

Those students who have not yet received copies of *The Ethics of Citizenship* may rest assured that they will get this book in plenty of time for them to do ample justice to the questions which will be based on it in the June paper.

Some candidates have written asking whether they may typewrite their answers. The reply is that typewritten or legible handwritten answers are equally welcome.



Answers to the following paper (*reprinted* from last month) must reach the Secretary at 20 Magdalen Street, Oxford, not later than April 15.

- (1) Use *foolscap* paper.
- (2) Write full name, address and description of group in the right-hand top corner of the first sheet, thus :—
John Brown,
10 Smithfield Road, Halifax.
Industrial Welfare Worker.
- (3) Write distinctly, number the pages consecutively and fasten them together.
- (4) Each question can be adequately answered in about 750 words. No limit is set, but questions should be answered as briefly as their *complete* discussion and illustration will allow.

“I.P.” Study Scheme Questions, Set No. 1.

1. What, from the Economist's point of view, is the real meaning of the term *Productive*? Explain with illustrations how efficiency in production may be secured.

2. Compare the economic life of the present day with that which was general in Mediaeval England.

3. “Value depends on Demand and Supply.” Discuss the adequacy of this statement and show how Demand and Supply, respectively, influence Value.

4. Indicate the main features in the so-called “problem of distribution.” Examine the objections which are sometimes raised to the present system of distribution.

No. LVI

APRIL

MCMXXII

“Prosperity is a state which exists when everybody
is able to readily exchange his labor or products
for the labor or products of others.”

INDUSTRIAL PEACE

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INDUSTRIAL PEACE

PHRASEOLOGICAL POLITICS.

THE will of a man is a mixed thing. I do not mean merely that it holds an infinity of motives and that these are different in kind, and differ morally, and are full of change. Every act of a man's will has two sides. On the one hand it is a stroke of egoism, being his self-expression, and springing, unbidden perhaps and unpreventible, from the depths of his nature. On the other hand circumstances exert a severe pressure on his impulses and impose shape and direction, or even a Veto, upon them, so that the glow and the "go" of impulse are quenched in a sober reasonableness and adjustiveness, and the action seems not so much a brave and gay and untaught upwelling of Self as a circumspect obedience to circumstances. To be healthy a man's will must be both circumspect and impulsive. Circumspectness is often the ruin of impulse as a man's years and experience mount up. Yet impulse dies hard. To the end of his days the normal man loves the ebullitions and the efflorescences and the wayward coruscations. He may lack the chance or the courage to indulge in these things himself. But he finds plenty of them, for example, at the "Movies," and he is apt to think that classes of society other than his own are free from the restraints that gall himself, and really can and do "have their fling." The rich think it of the poor and the poor think it of the rich: while the middle classes, of course, see both sides. And in fairy-land, or in the seats of the mighty, or in romances, or in very distant parts of the world, as some think, you can still "have your fling" and be magnificently unreasonable and delightfully arbitrary, and be yourself to the top of your bent. What is the good, for example, of being a Captain of Industry if you can't lord it a bit, or what is the profit of getting to the top if you don't control?

At this moment a great industry is being torn asunder by a controversy about control. The one side seeks for joint control, the other insists on the indivisibility of managerial functions and on the prerogatives of management. I leave aside the question whether control can be divided so as to be exercised jointly. The important question is, "What is Control?"

"Control" is one of the key-words of the socialist platform. This key opens hearts and unseals lips, but opens scarcely anything else. For socialists "Control" is the gateway of the Promised Land. The more ambitious of them, romantically adventurous, think that being in control of a thing is to have your way with it. In all those to whom control has been denied the glamour of it is strong; and the expectation of relief through the winning of control is excessive.

It is difficult to tell how far the general yearning for the delights and the liberties of control influences the present dispute. The yearning is always there, ready to be intensified at any time into a serious factor. But unemployment on the present scale is enough by itself to make a dispute about overtime very provocative. The one side think, and very naturally, that when so many men are workless none should be on overtime. The other side can doubtless adduce technical grounds for preferring overtime to increase of staff. And it must be remembered that since the Armistice the country and the employers have had experience of trade-union aggressiveness. But part of the trouble unquestionably lies in the romantic ignorance of the main body of working-class people about the nature of control.

When they demand control, or a share in control, their motive is not crudeness of ambition, or thirst for aggrandisement, or impulses of sabotage. They are really misinformed about control. They conceive it stagily. Being in control of something, they think, is how to have one's way utterly with it. This is the opposite of the truth. What control really brings to a man is responsibility, than which there is nothing more sobering. Success in controlling depends on the exercise of moral and intellectual qualities. The good controller must be quick to observe and to decide, he must possess tact and a sure sense of expediency. The controller, in fact, must have a cool mind in order that he may grasp the complexities of his task, and diplomacy in order that he may keep his personnel in tune, and judgment and good sense in order that his will and energy may not be wasted. In his rôle there is plainly far greater need for circumspectness than for impulse. He must put away forwardness and exuberance, and even enthusiasm, and submit to all the restraints which a highly exceptional set of circumstances, viz., the conditions under which his work must proceed, impose on his will. So far as he rules at all it is by a very comprehensive obedience. The

Captain of Industry must know his men, the markets in which he buys and sells, the technicalities of his business, and he must besides be something of a prophet, and, if possible, a personality. Much of his work must consist of composing quarrels and eliminating human friction. When emergencies arise, he must improvise a way out of them; and there will be need daily for resource and ingenuity in making compromises and accommodations. A great deal of the day-to-day control of business, or of politics, that seems so dazzling to those who stand afar off and so soul-satisfying to those who have never tasted power or authority, gives opportunity for little more than an acute sense of circumstances. The men at the top, who seem free, are in essentials the least free of all.

Yet in the minds of those who do not control there is an ineradicable belief that those who do control—such is the joy of their situation—act from an absolutely free will and not according to reasons or by accurate considerations. They think that on those elevated planes there is really a discontinuity between causes and effects, and that pressures and needs can be ignored there with safety. If the management of a great business should say that it must or must not take this or that step because it lacks the means or is hard hit, or because it has no alternative, its workpeople may behave deferentially, but they will be sceptical at heart. Even failure and collapse leave them unconvinced. They see and understand some of the inconvenient effects of failure, but they do not understand the nature of a collapse, since nothing comparable with it happens in their own lives, and they incline to regard it as one of the more puzzling phases of that inscrutable and heavenly thing—control. For why should not Control, that can be and do whatever it pleases, be tortuous too?

As regards control it is a truism of industry that one half of the world does not know what the other half is doing. While the one half continue to misconceive the other's task peace and understanding between the two cannot be established securely. The one half know control to be an exacting and difficult task, and its rewards to be speculative. The other build inflated hopes on a phrase. There will always be trouble till these foolish hopes give place to sober knowledge.



LABOUR AND DILUTION.



BEFORE the war the conditions of work in the skilled trades were largely determined by trade union customs and regulations which were often referred to, in the aggregate, as the industrial charter of labour. These were by no means arbitrary in character: on the contrary, they represented the best methods which the craft unions had been able to devise to meet specific evils and dangers to which their members were exposed during the nineteenth century. Some were regarded as essential to the very existence of the Unions. During the war many of the customs proved a serious hindrance, and were either relaxed or completely abolished on the understanding that they should be restored when hostilities ceased and the need for munitions disappeared. Official records of all departures from pre-war customs were kept and these were afterwards employed in re-establishing the old conditions. But the problem was by no means solved. In the first place the war revealed the tremendous possibilities of standardisation and dilution, and, in the second place, it created new ambitions among considerable sections of the organised workers, who, led by shop-stewards of a new type, sought to exercise functions which had hitherto been regarded as the monopoly of the management. Whether or no the present engineering dispute is due to an attempt, and failure, to settle the important questions of principle raised by war-time experience, it is clear that the questions themselves are of vital importance to the future of industry and will need to be answered in one way or another. The question of 'dilution' is one which is always present in the minds of those who are employed in industrial and professional occupations. In the broadest sense it means economy of skill and effort.

Given certain geographical possibilities the standard of living of a nation will depend upon the capacity and willingness of the people to work, together with the quality of the instruments of production. Every improvement in machinery and organisation creates new social possibilities. To realise the fact we have but to imagine what the present state of this country would be if we still relied upon the transport facilities of a century ago.

But there is another side to the shield. Improvements in machinery and organisation lessen the call for skill on the part

of some of the workers affected, and, for the time being, frequently create unemployment and distress. The introduction of the power-loom wrought havoc among the hand-loom weavers of Lancashire. Looking back upon the history of the nineteenth century we are able to appreciate the wonderful advance which that county was able to make as the result of the change, and we wonder what would have happened if the textile industries had continued to be dependent upon the hand-loom. But the weavers of the time could not be expected to anticipate the results which were achieved. They saw the market for their own skill disappearing and their policy was one of bitter antagonism to the new machinery.

There exists to-day in the sheet metal industry a fairly close parallel to the case of the hand-loom weavers. The tinsmith is classed among the highly skilled workers, and his occupation is as clean, varied and interesting as almost any in manufacturing industry. The tinsmith manipulates a piece of sheet metal almost as easily and freely as a saddler manipulates a piece of leather. The product of his work was—and remains—exceptionally varied. Nevertheless, his work in making any given product, such as a brass jug for hot water, or a travelling trunk, consisted of a number of separate tasks each of which, separated from the others, was but 'semi-skilled.' Unlike that of the skilled engineer, it was not an integral whole. It needed manipulative skill or dexterity rather than knowledge of a complex machine which might have to be taken to pieces and reconstructed. Two results followed. First, when some of the products became standardised, hand and foot presses, and ultimately power presses, were introduced, and new and important industries appeared—tin-stamping, lamp making, cheap jewelery and general pressed-ware manufacture, etc. (In some cases, as in the making of tobacco and cocoa tins, complex machinery was discovered which completely changed the character of the industry). The work at all the presses is such as can be performed with great ease by young girls and women, with the result that the skilled sheet metal worker retired from the scene. Fortunately for him the situation was saved by the rapid growth, first of the cycle and afterwards of the motor car industry, and he found a new sphere of employment in the making of motor bonnets, radiators, petrol tanks, etc. But to-day even the new territory has been invaded by the press and machine, and as we all know, the sheet-metal work on

Ford cars is made without the assistance of the skilled worker. The case is not exactly parallel with that of the hand-loom weavers. The latter, if they were willing to adapt themselves to the new conditions, could still find work in the weaving factories; but when the hand or power press enters the tinsmith departs to make room for girls, with a few skilled engineers to look after the presses.

Secondly, even where the work is still done by hand it is possible to sectionalise the processes, some of which can be performed by unskilled labour: for example, a girl could easily assemble and solder the parts of a lamp still made by the craftsman, or rivet the handle of a tin trunk supplied to travellers to South Africa and other parts of the world. And when there is a run of orders for a given product, it is not merely possible, but profitable, to sectionalise the work. Thus the craft is in serious difficulties. It aims at limiting numbers by enforcing a system of apprenticeship which is also desirable in the interests of craftsmanship. But this is not sufficient, from the craft point of view, in a rapidly changing world. The workers therefore oppose, as long as possible, the advance of machinery. The Unions, moreover, strongly discourage the sectionalising of work, and, when that can no longer be delayed, insist as far as they can upon the employment of skilled workers upon the separate processes, some of which can hardly be said to involve a high degree of skill. But, like the hand-loom weavers, and the glass blowers of more recent date, they are engaged in a hopeless struggle.

The case of the sheet-metal workers provides a striking illustration of the social difficulties which are created by technological progress. Such progress means economy of effort. Such economy does not lessen the general demand for workers, but it frequently (though not always) lessens the demand for the class of worker affected by the change of method, and increases the demand for other classes of workers. The possibility of employment as a picture-house attendant affords little or no compensation to a sheet metal worker who takes a real pride in his craftsmanship.

The effects of specialisation or improvement in methods of manufacture are not the same in all industries. The blacksmith may become a specialist, such as a chain-smith, anchor-smith or shackle maker. On heavy chains he remains a highly skilled worker, and there appears little or no danger of displacement by machinery; though the female worker employed on very light chains is said to be beginning to feel the effects of the competition of stamped chains made by machinery.

But cast anchors are taking the place of wrought anchors; the day of the anchor-smith is rapidly coming to an end, and one of the most fascinating processes to be seen in a factory (the welding of the shank to the arms of a heavy anchor) may soon disappear. The moulder, again, was at one time in all cases a highly skilled worker; but to-day, as the result of standardisation, there are, in addition to skilled moulders employed on general work, other groups, such as pipe-moulders and machine-moulders, doing repetition work and generally classed as semi-skilled workers. The effects of the introduction of linotype machines upon the work of the compositor are so well-known that they call for no comment.

In other occupations the introduction of mechanical appliances has proved an unmixed blessing. The toil of men employed on blast furnaces has been made less unpleasant in this way. Coal-cutting machines make the work of the miner less laborious. There are machines for mixing clay used for the manufacture of furnace bricks. Steel furnaces are now fed by means of electrically driven machines, which relieve the furnace 'hands' of a heavy and distinctly unpleasant task.

Occupations are constantly changing their character. In some cases they deteriorate, in others they improve; in nearly all cases new problems arise. A friend recently informed the writer that at one time he had contemplated dividing the clerical work of his office into its component parts, and employing one clerk on each, but that he had changed his mind, mainly on account of the loss of interest in the work which the clerks would have suffered. He preferred, for the sake of the clerks, to suffer the financial loss which was entailed by continuing a method which, in the narrow sense, was less efficient. Even where the change represents an improvement in the nature of the work for those remaining, it is frequently opposed by the workers because its immediate effect is to reduce the number of workers required in that occupation. The immediate interest of the craft is frequently, if not generally, in conflict with the interest of the rest of society. It was clearly so in the case of the hand-loom weavers, the glass-blowers, the sheet metal workers and the anchor smiths. It is even true of coal miners. How far is it true of skilled engineers? Their case has not yet been considered, but it will be shown that there is strong reason to believe that their immediate interest is by no means antagonistic to that of the rest of the community, and that dilution and the introduction of new machinery would bring no serious hardship in their train.

(To be continued).

THE FACTS OF THE CASE IN DIAGRAM, XXIV.

In the whole field of industrial economics there is no topic more debated and no question on which, if peace in industry is to be maintained, a proper understanding is more important than that of the distribution of the national income. If, as some think, Labour already receives as large a portion of the joint product as industry can stand without deterioration, all efforts to increase wages at the expense of capital are doomed to disappointment. If, as others hold, property and management take more than their fair share of the joint product, then the charge of exploitation is justified, and a readjustment leading to a more equitable distribution of the national income must be made. On the positive side it is not easy to say what constitutes a fair share for each partner in the industrial combination, but on the negative side it is clear that there must be a limit which neither can exceed without endangering its own position, and without, in the long run, diminishing the sum total of national prosperity.

In order to arrive at a just estimate of this matter the first step necessary is to acquaint ourselves with the facts of the case as they are at present, because in no other way can the problem be approached on a scientific basis. Any fruitful method of enquiry must proceed from the known to the unknown, that is to say, the premises must be established before logical deductions can lead to sound conclusions.

In diagram No. 6 of this series we examined the division of the product of industry in the United Kingdom as disclosed by the figures contained in the Wage Census of 1906 and in the Census of Production of 1907. We had to take these figures because no more recent evidence (on a comprehensive scale) was available, and the value of the conclusions arrived at was discounted by the possibility that in the absence of corroboration it might be that the period under review was exceptional. There are many reasons why such a contingency is improbable, but the result would have been more satisfactory if this element of doubt could have been eliminated.

In the diagram which we publish this month a measure of corroboration is obtained which, taken in conjunction with other factors of a similar nature, goes a long way towards proving that the division of the product of industry as between

capital and labour is constant within limits that vary but little from the normal. This being so it follows that the relation between wages and profits is not subject in the main to the caprice of individuals, nor to the ebb and flow of combatant interests, but to the influence of economic law operating along standard lines.

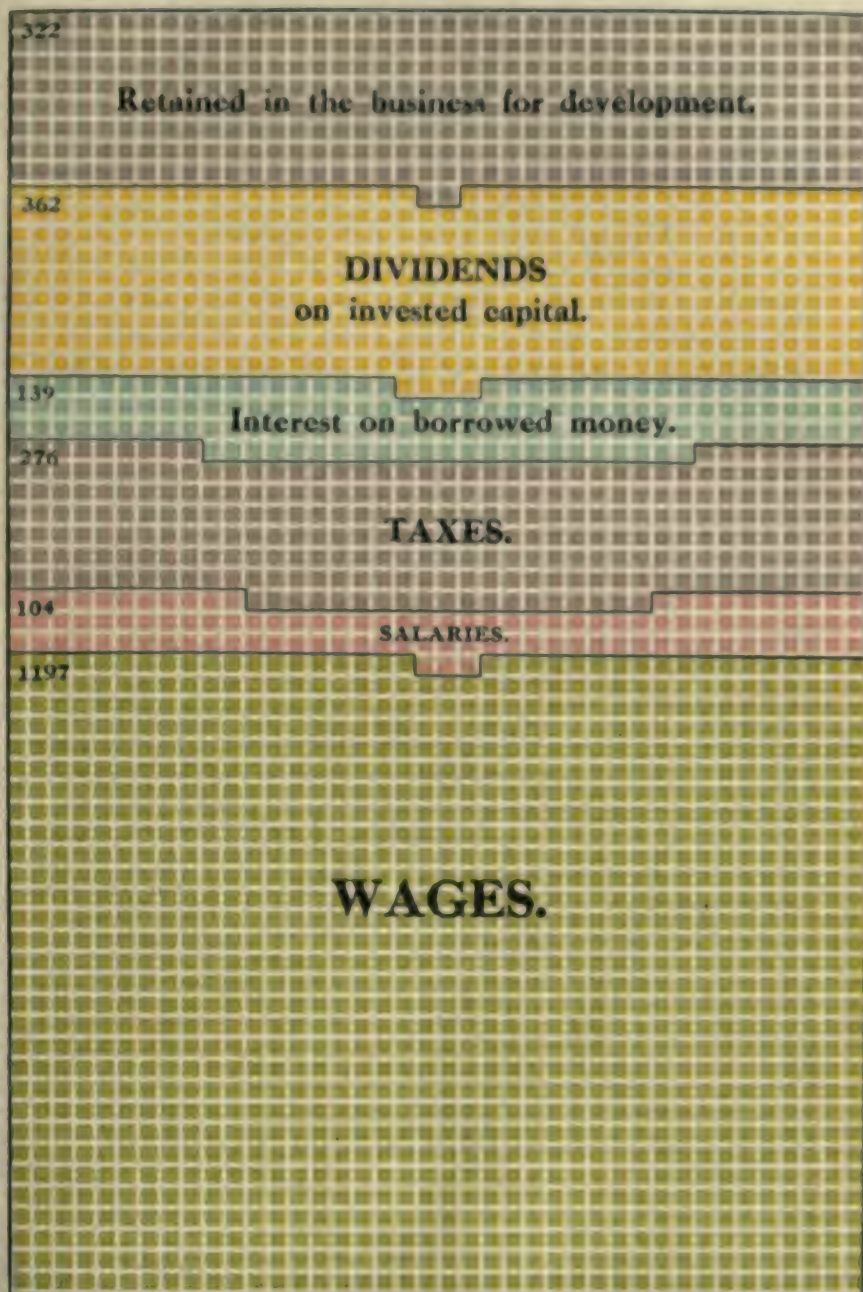
Diagram No. 45 illustrates the state of affairs prevailing in the United States in the year 1917. It exhibits a relationship between Capital, as expressed in dividends and interest on borrowed money, and Labour, as expressed in wages and salaries. This relationship is found to be such that if Capital is represented by the number 28, Labour will be represented by the number 72. The diagram contains 2,400 squares divided into six groups which are as follows:—

			Squares.	Per cent. of the total proceeds.
Wages	...	...	1,197	50.0
Salaries	...	...	104	4.3
Taxes	...	...	276	11.5
Interest on borrowed money	...	...	139	5.8
Dividends on capital	...	...	362	15.0
Remainder	...	...	322	13.4
			2,400	100.0

These figures are based on the final results obtained by Professor David Friday, of the University of Michigan, who conducted an exhaustive enquiry into the distribution of the combined proceeds of the manufacturing, mining, railroad and public utility services in the United States during the year 1917. It will be seen that the total paid in interest and dividends was 20.8 per cent. of the values created. But it must be remembered that not all of this is segregated, in the sense of being devoted exclusively to the personal use of the recipients. A portion is saved and reinvested, and thus increases the opportunities for rendering service more profitable to the workman than his unaided effort could be. The 13.4 per cent. retained in the business for development is of the greatest value to the community, for whatever is so utilised serves the purpose of a common fund which renders service not only to the owners but also to Labour and to the public generally. The 5.8 per cent. allocated for payment of interest on borrowed money does not go to the manufacturers, mine owners or railway magnates, but is distributed, to a large extent, amongst depositors in savings banks, shareholders

DIAGRAM No. 45.

(Note.—The figures in this diagram indicate the number of squares in each group.)



DIVISION OF THE INDUSTRIAL PRODUCT.

(An example from America).

in insurance companies and individual investors of small amounts. Finally the 11.5 per cent. set aside for taxation is not lost to the community but is redistributed amongst Government servants in salaries and wages, besides financing the machinery of government such as is maintained by all civilised nations for the protection and convenience of the whole body politic.

If the conclusions arrived at by Professor Friday stood alone and uncorroborated they would not command more than passing consideration, but when we find that practically all economic statisticians of the highest repute, both in Europe and in America, agree as to the main facts as regards this particular case, we are bound to assume that they have not fallen into any substantial error. Strong endorsement of Professor Friday's analysis of the division of the industrial product is provided by the result of the investigations carried out by the National Bureau of Economic Research which was established in New York in 1920. This body approached the subject of the distribution of current income from two independent starting points. They worked, on the one hand, from data relating to the *production* of wealth (e.g., harvests, mineral products, railway traffic, etc.) and, on the other hand, from data relating to actual incomes received (e.g., census reports on salaries and wages, income tax returns, etc.) In order to arrive at a comprehensive view of the question under review, the investigators surveyed "the division of combined net value product of mines, factories and land transportation between earnings of employees and returns for management and the use of property," and they spread their researches over a period of ten years, viz., from 1909 to 1918. They found that, in the mean, the proportions as between Labour and Capital respectively were as 71 is to 29—a finding* remarkably close to Professor Friday's ratio of 72 to 28, which was arrived at independently. These figures are, moreover, in substantial accord with the conclusions of Professor Bowley which were confined to the United Kingdom and which referred to a different period of time.



* The tables from which these figures are deduced are to be found in *Income in the United States* by National Bureau of Economic Research. Harcourt Brace & Co., No. 1, West 47th Street, New York.

CAN GERMANY PAY?

UNDER the title of "*Is Germany Prosperous*"* Sir Henry Penson has written a record of his impressions gained during a visit to Germany in January of the present year. The majority of us in this country feel only too acutely the intimate connection which exists between the much-desired recovery of world trade and the present economic position of Germany. Our difficulty is to distinguish between the conflicting reports we read as to the true position of affairs in that country. In this book we get a clear picture of life in Germany seen through the eyes of an Englishman who has already had wide experience in the collecting and sifting of economic intelligence. The author's distinguished services as Chairman of the War Trade Intelligence Department and Director of the Intelligence Section of the British Delegation to the Peace Conference, are a sufficient guarantee of his ability for this sort of investigation. He gives the facts as he saw them and leaves the reader to form his own estimate of their significance.

The author recognises the essential difficulty which everyone experiences who attempts to look into German facts and figures, namely, the lack of any means of ascertaining the exact equivalent of a given sum of marks in English purchasing power, and in an interesting chapter devoted exclusively to this point he shows how he himself arrived at a key number which solves the problem. This has an important bearing on many questions, but more especially on those of reparations, of incomes, and of taxation. We are often confronted with statements comparing incomes and taxation in England and in Germany, all of which are almost meaningless for want of a key number of this kind, while as regards reparations it is evident that so long as the external value of the mark is not more than one third or one quarter of its internal value the burden of making payments to the Allies, which are fixed in gold marks, is increased to a corresponding extent.

Turning to his main question *Is Germany Prosperous?* Sir Henry Penson admits that if one did not go beneath the surface one would unhesitatingly give an affirmative answer. All the outward signs of prosperity seem to be there. Factories are working at full pressure; there is hardly any unemployment; banks and commercial houses are extending their operations;

* *Is Germany Prosperous?* by Sir Henry Penson, K.B.E., M.A. Edward Arnold & Co., London, 3s. 6d.

increased dividends are being paid and large sums are being placed to reserve. But, when he examines each of these in turn, he considers that the prosperity is apparent and not real; that though much wealth is being produced only a portion of it is available for home consumption; that incomes are, for the most part, small and the general standard of living distinctly low; that the mark in Germany has less than one twentieth of its former purchasing power and hence that the enlarged dividends bring very little satisfaction to the shareholders. Under the present very abnormal circumstances the ordinary tests of national prosperity fail to give any results that can be considered as satisfactory. *One must look beneath the surface and discover where the wealth produced actually goes if one is to form any correct idea as to how the nation stands economically.*

A separate chapter is devoted to the question of taxation, and in this connexion a useful outline is given of the German tax system, including the modifications introduced at the beginning of the present year, a consideration of which forces us to the conclusion that there is no truth in the statement that the German is, at any rate nominally, lightly taxed. Actually considerable evasion no doubt takes place.

In conclusion the writer puts in a plea for the reconsideration of the Reparations question, not with a view to relieving Germany of her obligation to make good the damage she has done, but from the conviction that by demanding more at the present moment than her economic position would justify, the Allies would be retarding trade recovery, and rendering more than problematical the payment of future reparation instalments.

The German economic position does not seem to have improved at all during the past month. The scheme put forward by Sir Robert Horne at the Conference of Finance Ministers which took place in Paris in the middle of March was a statesmanlike attempt to find a solution of the very difficult problem of reparations, but so far nothing seems to have come of it. Taking the total German debt as about 110 milliards of gold marks ($5\frac{1}{2}$ milliards sterling) Sir Robert Horne proposed dividing this sum into two parts. The larger part ($3\frac{1}{4}$ milliards sterling, an amount approximately equal to the total value of the inter-allied debts) was only to be claimed from Germany in the event of any one of the Allied Powers demanding from another repayment of the war debts due to itself, while the remaining $2\frac{1}{4}$ milliards sterling was to be paid by Germany in cash or in kind at such periods and in such instalments as should be subsequently arranged.

Any hopes, however, that may have been raised by this heroic effort to grapple with the question have unfortunately been dashed to the ground by the recently published decisions of the Reparations Commission. The most important of these decisions is that, as a condition of the concessions for 1922 proposed at Cannes, the German Government shall be required in the years 1922 and 1923 to increase its tax revenue by at least 60 milliards of marks, a sum which at the present rate of exchange (1250 marks to the £) works out at £48,000,000, but which, considering the much higher internal value of the mark in Germany, cannot be equal in purchasing power to much less than £170,000,000. Bearing in mind that the revised budget for 1922 is only expected to realise about 103 milliards of marks—and that was double the revenue for 1921—the extent to which the German burden of taxation has been increased by the demand for a further 60 milliards can easily be imagined.

The announcement caused a veritable panic in Germany. The mark fell suddenly to 1500 to the £, recovering a week later to 1250 only to fall again the following day to 1300, and forty-eight hours later it was again fluctuating between 1450 and 1500. Thus, as hope and despair alternately predominate, the mark rises or falls, with the inevitable result that business in Germany is practically at a standstill—for transactions can be nothing but a gamble in exchange—and the prospect of a recovery of world trade, so vital to the economic interests of this country, seems more distant than ever.

Nevertheless one cannot help feeling that if the main body of the working class in Germany are working, are well-fed, well-shod and well-clothed, while the manufacturers are building extensive works, well equipped with new machinery, that country is actually in a more desirable position than France or ourselves, with our factories empty and millions of our workers and their families steadily deteriorating in mind and body for lack of occupation. Sir Henry Penson shows us Germany as a bee-hive where all are busy and all is kept in good repair. So long as the hive is not stripped honey will be forthcoming; you can take the surplus honey but the accumulation of that surplus is dependent upon keeping the bees well fed and the hive in good repair. The question that arises from reading this book is not so much *Can Germany Pay?* as *What is the present system of reparations costing us?* The book is short, lucid and sufficiently free from technicalities to appeal to everyone interested in the reparations question.

TRADE AND FINANCE, VII.

The Return to Gold.

THE present article should be read along with the article which appeared in the March issue of this journal, in which a distinction was drawn between the internal and external values of a nation's currency. It was shown, first, that the internal value of the currency was determined by the amount in active circulation, and varied inversely with changes in that amount; secondly, that the external value deviated from the internal value if and when there was a large balance of debts owing to or by the nation concerned, being less than the internal value when the nation was heavily indebted to the rest of the world.

The practicability of the reintroduction of gold in one way or another is determined by the relationship of the external to the internal value of the currency under consideration. If the external value is considerably less than the internal value, that is, if the nation is heavily indebted to other nations, restoration of gold is impracticable. If it were restored, either as internal currency or simply for international payments, it would quickly disappear in payment of existing debts. Thus, for example, the gold question is merely of academic interest in Germany and Austria, and will remain so until their external debts—including indemnities—are funded or cancelled by the export of goods and services to the necessary amount in excess of current imports. But if the external value of a currency approximates closely to the internal value, that is if the maturing obligations of the nation do not appreciably continuously exceed its claims upon other nations for goods supplied and services rendered, then the question of restoring gold for the settlement of international debts is one of practical politics. It is not necessary that the external value should be the pre-war external value in order that gold should be employed; it is sufficient that it should approximate to its present internal value, or in other words, that what in the previous article was called 'purchasing power parity' should be restored.

Consider, for example, the dollar value of the pound. Before the war the value of the pound was 4.86 dollars, but to-day it is considerably less than that. If, however, we employ the method described in the last article, and convert the price curve for this country during the past two years into terms of dollars, we find that it always lies close to the curve

of American prices, being sometimes a little above, sometimes a little below the latter. (The curves of German, French and Italian prices similarly treated lie far below the American curve). The relationship between the two curves expresses, indeed, precisely the pre-war movements of the dollar exchange. The conclusion is that the average external value of the pound has been the same as the average internal value. The balance of maturing obligations is at one time (e.g., the autumn) in favour of America, at another time (e.g., the spring) in our favour, but these balances have been small relatively to the total volume of transactions. It follows that if gold has been freely used for the payment of such balances it would not only have moved west, but would also have returned east. And as there is no severe and permanent drain from America to Japan, Sweden and other gold using countries, there would not have been any such drain from this country. It is for this reason that the question of gold payments has recently been revived.

The Government is alive to the advantages which the resumption of gold payments would offer. The Prime Minister, speaking on April 3rd in the House of Commons on the Genoa Conference said that :—

" Before trade is fully restored you must be able to establish everywhere the convertibility of currency into gold or its equivalent—gold directly or indirectly convertible into liquid assets held in the banks of a country maintaining a free gold market. That may involve, and will involve, a devaluation of currency, but the world cannot afford to wait until currency is restored to par. What matters is to establish the rate at a figure which can be maintained, and which will, therefore, constitute a reliable basis for international commerce. In order to achieve that, one of the first considerations is to induce the nations to balance their Budgets. Until they do that new issues of currency will debase the currency and the exchange will become wilder and wilder."

This important pronouncement bristles with points which are relevant to the issues which we are discussing. In the last sentence reference is made to the internal value of a currency and to the fluctuations in purchasing power parity. But it will be shown in the next article that while there are large balances of maturing obligations against a State, not only will that State find it practically impossible to balance its budget and so control its issues of currency, but it will also be impossible to find any "rate at a figure which can be maintained," and that a "reliable basis for international commerce " must be sought along other lines.

If it is possible to restore gold in this country, does it follow that it is desirable to do so? The sort of standard which the Prime Minister appeared to advocate for the European States is not the pre-war standard employed in this country, but the system known as the Gold-Exchange Standard, which has been defined in the following words: "The Gold-Exchange Standard may be said to exist when gold does not circulate in a country to an appreciable extent, when the local currency is not necessarily redeemable in gold, but when the Government or Central Bank makes arrangements for the provision of foreign remittances in gold at a fixed maximum rate in terms of the local currency, the reserves necessary to provide these remittances being kept to a considerable extent abroad." (Keynes: *Indian Currency and Finance*, p. 30) It has been suggested that a standard of essentially this character should now be introduced here. A large reserve of gold should be maintained which could be freely purchased by those having payments to make abroad; but it should not displace the Treasury note as the internal circulating medium. To prevent any danger that it would circulate, bullion rather than coin should be passed across the counter.

This is clearly the real alternative to the pre-war system, and, under ordinary circumstances, would provide an effective check to currency inflation when combined with other safeguards existing before the war. But it would be necessary to determine the price in Treasury notes (legal tender) at which the gold could be bought. In law, at present, the Treasury note is worth a golden sovereign; on a commercial market it is worth less in gold, the value being roughly the dollar rate of exchange. At which of the two rates will gold be sold? If the latter, the Government will be repudiating its contract to pay a sovereign for a Treasury note of one pound—a dangerous proceeding. If the former, holders of Treasury notes would purchase gold and send it to America, where it could be disposed of at considerable profit. This valuation would be impracticable. Therefore, if the Government decided to introduce the new standard at an early date, it would be compelled to deflate the currency to such an extent that the Treasury note was again worth 4.86 dollars. Such a result would involve a further fall in wages and prices; it would intensify the depression in trade during the process of further deflation, and might produce disastrous effects upon the Budget. Thus the immediate adoption of the gold standard, interpreted in this way, does not appear to be

desirable, though it is by no means impossible. If, however, no further expansion of currency takes place when trade is restored and employment increased, it is possible, even probable, that the dollar value of the pound will continue to improve and that the pre-war parity will be restored. But that end cannot be secured if we do not reduce the amount of the currency in this country relatively to the amount circulating in the United States. That country possesses so much gold that it has become a burden, and the proportion of gold reserves to circulating credit is unusually high. A considerable sum could be lent to this country to strengthen our reserve without unduly affecting the response of credit currency to the needs of trade when the revival appears. But if, at the same time as American credit currency expands, our own currency is expanded in sympathy, the dollar value of the pound will not improve. It is necessary to emphasize the fact that the pre-war parity must be reached before the "gold-exchange" standard can be introduced without devaluing or debasing the internal legal tender currency (the Treasury note); and that the pre-war parity can only be achieved by reducing the *relative* amount of currency in this country. If our objective is the establishment of the modified gold standard at an early date, our currency policy will thus be determined by that of the United States. If the latter is one of deflation, we must deflate to a greater extent; if it is one of expansion, we must refrain from following suit until the desired relationship has been achieved. Too much stress should not be laid upon the recent improvement in the American exchange, which is always relatively favourable to us at this period of the year. We should pay more attention to the average rate for the same periods in different years. The tendency is undoubtedly in favour of the pound, showing that we are moving towards the pre-war parity; but the movement is far less rapid than would appear from a comparison with the autumn rates (which are always relatively unfavourable to us) and the Spring rates. Some time must elapse before the *average* rate reaches the pre-war parity. The period of test will be the next trade boom. But when the pre-war dollar value of the pound is again achieved, provided it is not done by means of further deflation on a large scale, it will undoubtedly be desirable to establish the modified gold standard. The full restoration of the pre-war currency system will, however, remain a question of mere academic interest for many years to come.

MIXING THE LABELS.

LAST month the writer of an article in this journal deplored the demise of that uncomfortable but salutary Spirit, the Devil. Or, rather, he lamented the decay of a healthy conception of the Devil, for he made it clear that the real loss was only one of identity. The Devil is more active among us than ever. He has merely shifted his label to make his attacks more insidious and effective. Indeed, the Devil's chief function to-day seems to be that of mixing all the labels, so that we call everything by the wrong name and tend to attribute to everybody the wrong functions.

There is, for instance, a conception prevalent of the State and its functions which appears to be quite modern and to be an effectual hindrance to sound thought and so to social and industrial health. To-day many think of "the Government" and "the State" as interchangeable terms. They assume that the State is in all things represented by the Government. Whereas, in fact, the State is a far larger thing than the Government. Every individual man, woman and child is an integral part of the State.

A kindred false assumption is that State action and individual action are opposed, or at least take place in different and separate spheres. Whereas, in reality, all State action is the action of individuals, whether it be managed by the Government or not. And the actions of individuals, taken separately or in the aggregate, are ultimately State actions.

There is a real sense in which the State may be conceived and spoken of as an entity apart from the individuals who compose it, much as man's spirit can be regarded as distinct from his body. But there is no sense in which the State can be said to exercise any function except through individuals. And probably more than nine-tenths of the activities of the State are conducted by individuals who are not members of the Government nor in Government service, and less than one-tenth by individuals so tied and consequently cramped.

The question in all cases is not whether the State shall act through individuals, but whether the individuals who are to act shall be members of, or in the employment of the Govern-

ment, or shall act on some other initiative than that of the Government. All service is service of the State, and every function should be performed in the spirit of service and not out of selfishness, whether it be on the one hand by a Government servant or on the other by a professional man, or a commercial man, or a tradesman, or a labourer. Let us call the one class "tied men" and the other "free men." The State sometimes acts through the Government—as when it decides to go to war. The actual decision is made by individuals and the actual fighting is done by individuals—some of the tied men. Sometimes the State acts through free men, as in the matters of worshipping God, of carrying on industry, trade and commerce, and of eating food and going to sleep and playing games.

What is the dividing line? Before attempting an answer we must distinguish between the public purse and the private pocket. Both are at the service of the State and both are supplied by the efforts of individuals. A particularly stupid confusion of thought has led us to talk of certain State and municipal services as free. Socialist leaders are therefore often loud in their promises of free transport, free theatres, free baths, free meals—free everything, in fact, except free will and choice. Let us take a concrete case by way of illustrating the ambiguity which generally clouds the use and abuse of this word "free." It is customary to speak of our Government system of Education as "free." It is, as we know, not free of cost but extremely expensive. The State (which includes the Government, but is a larger thing) has another system of education under the management of free men. In what sense is the Government system free and the other not? Sometimes Education is spoken of as "free" and "compulsory" in the same breath as if they were interchangeable terms. Let us grant that Education is properly compulsory. The question then is not whether it shall be free or not, but whether it shall be paid for out of the public purse or the private pocket.

By applying this thought all round we begin to get back to first principles—the dividing line begins to show. On the one side are State activities to pay for which the public purse ought to be used. On the other are State activities for which the public purse ought not to be used. In other words the question comes to this. Given normal conditions, will a particular service be most efficiently performed if paid for out of the public purse and managed by tied men, or if paid for

out of private pockets and managed by free men? The service will be performed by individuals in either case, but in the one they will be tied, in the other free. In both cases the service is State service, but in the one it must be done according to rules and regulations, in the other according to the decisions (based on ability, training and experience) of individuals free from rules and regulations other than their own and those imposed by common law. In both cases the service must be paid for, but in the one the State allows the Government to collect the cost from the State and then to pay for the service out of the public purse. In the other the State allows the individual who does the service to receive the payment (which we call profit) direct from private pockets.

If the question and its setting were so recognised Government management would be confined to services which free men are not able to undertake, and we could begin to consider the function of Government in controlling and assisting (as opposed to managing) other services which free men can and do undertake, but many of which, particularly at such a time as the present, need assistance, and most of which need control.

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FOOD FOR THOUGHT.

Assuming that people believe all they say and—a still more comprehensive assumption—that they say all they believe, we must conclude that a not inconsiderable body of current thought is definitely of opinion that the system of private enterprise under which we have our being, which forms as it were the keystone in the arch of economic life, is ethically unsound and practically detrimental to the course of human progress. If this belief is well founded it means not less than that mankind consistently throughout the ages and in the common affairs of everyday life has followed a path which leads socially downwards. Such a proposition is of so startling a character, so contrary to human experience, that it has only to be formulated to provide its own disproof.



History, taken in small doses, may furnish examples of tribes and even nations which have reverted to lower rungs in the ladder of civilisation but, as a general rule, taken over long periods, there has been not only upward development but sustained progress, and that in an ever increasing ratio. This tendency is to be observed particularly in the material and measurable province of the production and distribution of wealth. Century by century, in spite of occasional set-backs such as that which we are now experiencing, the standard of living amongst the serried populations of the world has advanced. Take any remote era in the past history of civilisation, ascertain the sum of the factors determining the mode of living amongst the bulk of the people, compare the resulting standard with that prevailing at a distant and later period and you will find an invariable record of one thing only, viz., improvement. Imagine, for a moment, what would have happened if the course of events had been otherwise. If, that is to say, there had been a general shrinkage in the amount of wealth, in all its forms and manifestations, that reaches the masses. Any tendency in this direction, operating continuously, would have thrust men lower and lower in the scale of subsistence until life could no longer have been sustained, and the human race would have pined and dwindled until it had disappeared altogether from the face of the earth. Under such a menace neither health nor hope would be possible, and their lack would have expedited the process of dissolution and decay.

Judged by the test of mere survival, therefore, we are compelled to surmise that the acquisitiveness of society has proved its salvation—to put the claim at its lowest. And the question arises how far a system which, with all its imperfections, has nevertheless succeeded in keeping at bay the otherwise impending doom of extinction can be ethically unsound. The plane of Ethics is higher than the plane of bread and butter, but even so it cannot soar away into the ether and cut itself adrift from the fundamental problems of existence. It is a crude saying, but people must live before they can practise virtue. Angels, perhaps, are better situated in this, as well as in some other respects, than humans, and the presumption is that they are not subject to economic law. We apologise for mentioning these little considerations, but the fact that they are too often forgotten must be our excuse.



For our part we are satisfied that the true conclusion of the whole matter is that there is no real divergence and no essential incompatibility between the claims of ethics and those of common sense. Just as the satisfaction of our normal physical appetites makes for bodily health so, may be assumed, will the stimuli of competition and self-interest, if responded to with discretion, prove to be morally, as well as materially, beneficial to the human family. We are unable, therefore, to join forces with those who would uproot a system which man has evolved by dint of infinite patience exercised through countless generations; a system which, by obeying the rules taught by the method of trial and error, has adjusted itself to fit the intricate needs of humanity, in order to put in its place another system which lacks the warrant of experience, which runs counter to natural instincts, and which is of so nebulous a texture that nobody can identify for certain the forces which are to furnish its kinetic energy or to maintain its equilibrium.



In a recent article in these pages we drew attention to the habit that is now so prevalent of attempting to evade personal responsibility by debiting all evils and all failures against the account, not of human contrariness and fallibility, but against the account of the shortcomings of the environment in which we happen to find ourselves. Dr. A. T. Hadley referred to another aspect of this same tendency in the first of his lectures on

"Economic Problems of Democracy" delivered last week at the Mansion House. He pointed out that the distinction between a Statesman and a Doctrinaire consists mainly in the power of the former to give shape and force to his policy by making people see things as he perceives them and thereby enlisting their practical support. Statesmanship is to be judged, therefore, not only by the inherent excellence of principles and maxims as estimated by their author, but also by the strength of the appeal that they make, as presented by him, to the collective wisdom of the day. It has been truly said that the best legislative action of any given period is generally that which first originated in the conscience of the most advanced men and women of the previous generation. To this dictum a rider might be added with advantage—namely that a nation equipped with an adequate educational system ought to be able to bring its ideals to fruition after a shorter period of incubation. Some such ideas as these must, we suppose, have been in the mind of Dr. Hadley when he added "The question of how to train people to meet the conditions which confront them is even more important, in the economic problems of to-day, than the question how to shape conditions to meet the needs of the people."

It is because we hold that no good thing can be wrought out of unseasoned material, that democratic power cannot thrive if founded on lack of knowledge, and that wisdom is only justified if it can survive the test of experience—it is for these reasons that we are insistent in our efforts to persuade the rising generation to study social and industrial problems in the light of those ascertainable and comparable facts which are the woof and the warp of the economic sciences.

A Correction. In last month's article on *The Industrial Difficulties of Italy*, page 25, line 6, "did not include" should read "also included." In line 35 on the same page, "(7) failures," should read "(7) sinking funds."

DAY BY DAY.

(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry).

March. The Ministry of Labour index figure showed the cost of living to be 86 per cent. above that of July 1914. This is the lowest figure recorded since December 1917.

Changes in rates of wages during February resulted in a net reduction of over £390,000 in weekly full-time wages of 2,400,000 people.

One hundred and fifteen wage disputes involved the loss of about 316,000 working days and caused about 33,000 people to be out of work. The principal dispute was in the wagon building and repairing industry in which about 4,000 men struck against proposed wage reductions.

Unemployment fell very slightly. Among trade unionists 16.3 per cent. were recorded as unemployed at the end of February. The corresponding figure for workers under the Unemployment Insurance Act was 15.7.

The Employment Exchanges registered 1,837,000 as unemployed at the 28th of February and 266,000 as working systematic short time.

2nd. Over 10,000 members of the Amalgamated Society of Railway Vehicle Builders, Wheelwrights, Carpenters and Mechanics are on strike against proposed wage reductions. The men's wages are 110 per cent. above the pre-war level and employers are asking for reductions amounting to as much as £2 per week. The men contend that they were underpaid before the war and that their present rate should remain. Last January the men accepted a reduction of 10 per cent. on piece-work and $7\frac{1}{2}$ per cent. of the $12\frac{1}{2}$ per cent. bonus.

Dockers' Wage Dispute: The National Joint Council for Dock Labour have agreed upon a joint recommendation which will be submitted to the men's unions next Thursday.

The National Joint Council of Labour passed a resolution to resist by every legitimate means the Minister of Labour's refusal to confirm the minimum rates of wages fixed by the Grocery Trade Board.

3rd. London Municipal Electors elected a majority of Municipal Reformers to the Council. Of the 124 members returned, 82 were Reformers, 26 Progressives and 16 Labour. There were 97 Labour Party Candidates.

The Minister of Labour conferred with the Shipbuilding employers on the wage dispute in that industry.

4th. The Engineering and National Employers' Federations

invited all the unions with members in engineering trades to subscribe to the memorandum on managerial control rejected by the A.E.U.

- 6th. Dr. Macnamara, Minister of Labour, invited the A.E.U. Executive to confer with him.

Acting on the Minister of Labour's suggestion, the shipbuilding trade unions decided to open an informal discussion with the employers.

- 7th. The Executive of the A.E.U. met Dr. Macnamara in conference and as a result a meeting was arranged between the employers and the unions.

- 8th. Negotiations between the Engineering Employers' Federation and the A.E.U. broke down. The disagreement was on the general principles of management, the Union insisting upon their right to retain every restriction that they had been able to impose upon engineering establishments as a result of the abnormal conditions of the last eight years. The A.E.U. Executive will seek co-operation with the Federation of Engineering and Shipbuilding Unions, now engaged in the shipyard workers' dispute over the 26s 6d. bonus. One million workers are involved in the two disputes.

Twenty-five thousand of the shipyard workers of the Clyde are at present unemployed; 5,000 are working about one week in the month. If the wage dispute culminates in a stoppage on March 15th about 30,000 more men and boys will be idle.

- 9th. The Federation of Engineering and Shipbuilding Unions, the Federation of General Workers and the Amalgamated Engineering Union unitedly resolved not to accept the employers' memorandum on shop management and to join forces in the event of a stoppage. Mr Brownlie, chairman of the A.E.U., and Sir Allan Smith, President of the Employers' Federation, met the Prime Minister and the Labour Minister in conference. The Labour National Joint Council met representatives of all the unions concerned.

The J.I.C. for the Tramways Industry adopted a scheme for recommendation to the employers' and the men's organisations.

Surrey farm workers have agreed to a wage of 33s. 4d. per week of 50 hours for men between the ages of 21 and 65, until such time as either side shall give notice to terminate the agreement.

In accordance with the suggestion made by the Geddes Committee, a committee is now sitting under the chairmanship of Sir Alfred Watson, the Government actuary, to consider the advisability of amalgamating the administration of the National Health and Unemployment Insurance Acts.

- 10th. Engineering and Shipbuilding Crisis: Numerous conferences between the unions concerned and the employers took

place throughout the day, but terminated in a deadlock. The employers declared their firm intention of enforcing the lock-out notice on the following day unless the men accepted their memorandum on managerial control. The Shipbuilding unions adjourned the discussion of the bonus dispute until the 14th.

- 11th. The lock-out of the A.E.U. employed by firms belonging to the Engineering and National Employers' Federation began. The other unions concerned in the dispute are to take a ballot on the question of the acceptance of the employers' memorandum. The employers will lock out members of these unions on March 25th if they reject the terms concerning managerial rights
- 13th. Engineers' dispute: About 250,000 skilled men were locked out yesterday and there was consequently very little work for the semi-skilled and non-skilled workers. A.E.U. members in non federated shops are remaining at work. The Labour General Council met to discuss the calling of a special congress to consider whether the trade union movement as a whole can usefully intervene.
- 14th. Negotiations in the shipbuilding industries wage dispute are still in progress. The engineering dispute is intensified. The Labour General Council has decided to appeal to the Government for the setting up of an enquiry under the Industrial Courts Act. The Council also issued a manifesto to the affiliated societies denouncing a circular issued by the Engineering Employers' Federation as an attempt to break up the Amalgamated Engineering Union. Members of other unions are advised that to accept the membership of men seceding from the A.E.U. at this crisis will be regarded as an act of treachery to trade union principles.
- 15th. Negotiations between the Shipbuilding employers and workmen again broke down. The masters declared their intention to adhere to the proposed wage cut of 16s 6d., and to limit discussion to proposals as to the time and distribution of the total reduction. The men declared that they would not consider a reduction of more than 10s. in two instalments of 5s. each. The lock out notices, which expired to-day, are for the present suspended.
- 16th. The Government refused to appoint a Committee of Enquiry into the circumstances of the engineering dispute until the result of the ballot of engineering unions other than the A.E.U. is made known.
- 17th. Shipyard Dispute: The trade union delegates definitely rejected Dr. Macnamara's suggestions (1) that the employers' final decision to reduce wages by 16s. 6d. in two cuts in

March and April should be recommended for acceptance, (2) that they should be balloted on without any advice from the leaders. It was decided not to take a ballot, and a dead-lock ensued.

A provisional agreement was reached by the National Wages and Conditions Council for the Building Industry. The workers' representatives agreed to a reduction of 2d. per hour in wages in April, with a further similar reduction in June to be submitted to a ballot. Working hours in December and January are to be reduced to 41½, and hours during the summer months to remain as they are subject to revision in January 1923.

The English railway workers have accepted the adoption of the Scottish award.

20th.

The engineering dispute was discussed in the House of Commons. Mr. Arthur Henderson stated that the dispute hinged, not on the owners' right to manage, but on a new interpretation of the existing sphere and functions of management. This new interpretation meant that, for all new classes of work, the management could give orders which, however much they might change the present working conditions, must be carried out.

The Central Board of the Shipbuilding Employers' Federation met at Edinburgh to discuss the rejection of the amended offer to reduce wages in the industry by 10s. 6d. on March 29th, and by 6s. on April 26th. A private report of their decision was sent to the shipbuilding unions.

21st.

The Council of the Trade Union Congress met to review the engineering lock-out position in the light of the House of Commons debate. The National Joint Council sent a deputation to ascertain from Sir Allan Smith the exact meaning of the statement made by him during the debate that the employers would confer with the unions while the men were at work if they would first agree in principle that the employers had the right to manage their own factories. The meeting was adjourned.

The Engineering, Shipbuilding, Foundry and General Workers' Unions issued a joint statement of their case. They claimed that they admitted the employers' right to manage, but that they had also the right to a share in fixing conditions. They qualified the action of the engineering employers as an attempt to smash trade unionism while trade is at a standstill.

22nd.

Negotiations were continued between Sir Allan Smith and the Labour Council, but no report was issued.

Notices regarding the reductions of the shipyard workers' war bonus were posted up. The conditions already quoted

(March 20th) are adhered to and it is proposed to keep the shipyards open after March 29th for work on the revised terms.

The Central Wages Board for Great Britain have agreed to a reduction of 4s. a week in the wages of adult workers from April 1st. This means a saving of £4,000,000 a year in the wage bill of the British railway companies. The total reductions made since April, 1921, amount to 17s., and several grades are now down to the standard wage.

23rd.

The shipyard unions decided to take a ballot on the employers' proposals. An effort was made to get the notices suspended until the result could be known, but the request was refused on the grounds that the unions had refused to take this step a week ago. The ballot papers will contain no advice from the union executives. The results cannot be known before the lapse of ten days, whereas the first wage reduction operates from March 29th. The union officers will therefore have to advise what line of action shall be taken in the interval.

The Labour deputation appointed to interview Sir Allan Smith met the Executive of the A.E.U. An attempt is being made to find a formula on which negotiations between employers and the A.E.U. can be re-opened.

24th.

The shipyard unions, by 164,759 votes to 49,503, rejected the employers' terms as to works management, and thereby brought themselves into line with the engineers. The existing lock-out notices should, as a result of the ballot, apply to them, but efforts are being made to avert this. The unions decided that members must cease work on March 29th unless the wage notices are suspended. The Lock-Out Committee of the A.E.U. instructed apprentices to cease work to-day. It was officially reported that in the conferences between Sir Allan Smith and the Labour Council progress had been made and a report would be made to the unions to-morrow.

25th.

The engineering unions (including the A.E.U.) and Sir Allan Smith have agreed on a basis for further negotiations. Briefly stated, the men acknowledge the right of the employers to manage their works, while the employers agree not to make any large or permanent changes in working conditions without consulting the men.

The Government Bill on Unemployment Insurance was issued. This Bill is to replace the Acts of 1920 and 1921 and the Unemployed Workers' Dependents Act 1921. The rates of contribution and of benefit will be the same as at present under the three Acts. The Bill is based on the assumption that unemployment will not exceed an average of 1,900,000 up to June, 1922, or an average of 1,500,000 in the succeeding

twelve months. Provision is made for 15 weeks benefit between April and October, 1922, and 12 weeks from November to June, 1923, with discretionary powers to give two further allowances of 5 weeks each.

Lancashire cotton operatives have received one month's notice of a reduction of 75 per cent. on standard piece rates, or 6s. 1½d. in the pound on current earnings. This will bring total reductions in wages since last year up to 10s. 6d. in the pound. The present standard rate is equivalent to 120 per cent. above 1914 rates. The United Textile Factory Workers' Association will resist the demand on behalf of all the industry except the card-room workers, who will conduct their affairs separately.

27th. Engineering dispute: A meeting between the Employers' Federation and the trade union executives involved ended in failure. The employers demand some definite guarantee that their claims regarding management will be respected before re-opening their works, while the unions insist that the men's return to work is essentially the preliminary step.

Ship repairers on the Mersey will remain at work pending the result of the ballot, as the employers have agreed to suspend the wage cut for one week.

29th. Members of the Engineering Employers' Federation posted lock-out notices to the members of the 47 engineering unions who have now joined issue with the A.E.U. These notices expire on April 6th. Approximately 600,000 men are already idle as a result of the engineering and shipbuilding disputes. Negotiations were re-opened between Sir Allan Smith and the National Joint Labour Council, represented by Mr. Henderson and Mr. Bowerman.

30th. Negotiations in the engineering dispute were completely unsuccessful. The Labour Council's special committee subsequently interviewed Sir Robert Horne and Dr. Macnamara and again pressed for a Government enquiry.

The J.L.C. of the Chemical Industry refused to agree to the men's demand that a proposed reduction in wages of one penny per hour should not take place. This is the last of a series of reductions and would bring day wages down to 1s. an hour, whereas the men ask that wages shall be stabilised at 1s. 1d. per hour. In South Wales the men are already on strike and in accordance with trade union instructions between 50,000 and 60,000 may be out on April 1st.

31st. The Midland Wages Board have agreed to a reduction of 27½ per cent. in the wages of ironworkers. Wages are now 62½ per cent. above the basis of 13s. 6d. per ton for puddling.

ECONOMICS STUDY SCHEME, II.

Candidates are urged to read carefully communications appearing monthly under this heading.

CANDIDATES who have not sent in answers to the first set of questions or who, having done so, find themselves compelled for any reason to withdraw from the Study Scheme, are asked to return borrowed books at once to the Central Library, 9 Galen Place, Bury Street, London, W.C. 2. The borrower's name and address should be enclosed with the books. Prompt compliance with this request will greatly facilitate the Secretary's work.

Answers to papers will not be acknowledged unless accompanied by a stamped, addressed *post card*. Papers cannot be returned at the end of the Scheme. Candidates who want a of record their work should take a copy before forwarding it to this office.



"I.P." Study Scheme Questions, Set No. 2.

Answers to these questions must reach the Secretary, at 20 Magdalen Street, Oxford, not later than June 15. The instructions published with Set No. 1 must again be observed in writing the second paper.

Question 1. Discuss the question of dual control with special reference to the engineering industry.

Question 2. "Insurance Societies are speculators in risks, whose own 'business risk' is of a different character, and reduced to a minimum." (Page 62.)

"Legitimate speculation is not a gamble, but is based upon probability." (Page 61.)

Consider the above quotations in relation to each other.

Question 3. Examine the view that the great weakness of the competitive system is the lack of competition.

Question 4. Discuss *either* profit-sharing *or* the sliding-scale system as a method of securing industrial harmony.



No. LVII

MAY

MCMXXII

“We seek the expression of a new relationship:
not that of master and man, but that of man and man.”

INDUSTRIAL PEACE

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INDUSTRIAL PEACE

MANAGEMENT.

THE dispute in the engineering industry raises one of the most difficult industrial questions which it is possible to conceive. What precisely is "management"? What is meant by the "rights of management"? It is clear that no employer would claim to be able to do precisely what he liked with his work-people. The latter do not surrender themselves body and soul. Moreover, the severe criticism which has been passed by employers themselves upon the early Victorian method of conducting a factory is sufficient proof of the recognition that workmen possess certain rights within the factory. On the other hand, no worker has hitherto suggested that the employer should be in any way restricted in his freedom to accept or refuse contracts, to extend his factory, or to deal with one bank rather than another. We may know that Charing Cross is in London and that St. Albans is not in London, yet the determination of the actual boundaries of London may be an extremely difficult problem. Where does the region of unrestricted management begin? A great deal of misconception probably arises from the habit of comparing a factory with a community, and of employing terms such as "democracy," "sovereignty," "natural rights," as though they were applicable to both cases alike. A factory, however, differs from a country or a town where the members occupy the same position in law and enjoy the same rights of citizenship. A factory is a market-place where a number of contracts are negotiated. An employer enters into a contract for raw material or for the sale of the finished product. In neither case does the other party claim any right beyond that made explicit or implied in the terms of the contract itself. Similarly, the employer enters into a contract with the worker for the provision of work under certain conditions. These are laid down partly by factory laws, partly by collective agreements between the employers' associations and the trade unions, and partly by trade union and workshop customs and regulations. Thus the rights of the workers are either legal, contractual or customary.

The rights of management on the other hand are residual, that is to say, those which have not been restricted by law,

voluntary contract, and custom. It is upon the basis of these residual rights that the employer is able to enter into contracts; it is in this sense that control and financial responsibility are inseparable. What is defined is known and can be discounted in advance. What is undefined cannot be discounted in advance and must therefore be at the will of the individual or group which accepts financial responsibility.

This bald statement seems to clear the issue between the two sides in the present dispute. The difficulty is to determine what constitutes a "substantial change" in working conditions? Both sides claim the right to supply the answer. The answer itself in any particular case determines whether or not a custom exists which by implication restricts the right of management. Employers wish to be the sole judge, as they believe that, if they are not, they will be surrendering the absolute control over what is at present the unknown or residual. If once they admit the right of the worker to depart from what is specific and defined, however large a sphere that may be, and admit the worker to a share in the control of the undefined they will be lessening their ability to undertake financial responsibility. There is no doubt they are right. Even those who are anxious to extend workers' control are always careful, if they are practical, to define the extended sphere of control.

The workers, on the other hand, fear that if they allow the management to define what is a substantial change, they will be endangering, in the case of reactionary firms, those customary rights which they have hitherto enjoyed, since these have not been definitely 'recognised' and officially admitted by the other side. And in this the workers are also clearly in the right. The case is one for the clearer definition of the customs and regulations. It is difficult to see how a Committee of Enquiry can solve a conflict of principle unless it either gives such definition or ceases to be a Committee of Enquiry aiming at a report which will carry moral weight, performs instead the function of mediation and aims at achieving a voluntary agreement between the two sides.



LABOUR AND DILUTION, II.

The Engineering Industry.

THE writer is not a technical engineer, nor is he connected in any way with the engineering industry. It may be that some of the details given below are not quite accurate, but they do not seriously affect the main question which they serve to illustrate.

Engineering is not an industry, but a group of industries. Some of the group are fairly well defined, others less easy to delimit. Skilled engineers are also employed in practically all other industries using machinery, and in such establishments as large hotels and public institutions. The ramifications of engineering as a craft are endless. A highly skilled engineer is one who is able to take a machine to pieces, repair any fault which may be discovered, and rebuild it. He is a prince among craftsmen. The craft may be divided into two main sections, heavy and light, between which there is comparatively little movement. Some of the best examples of heavy engineering are found in the construction of electrical machinery, marine engines, machinery for metal works, sugar crushing machinery, etc. The work is performed on large machines, the majority of which are in charge of specialised but skilled workers—thus, there are skilled turners, erectors, etc. In light engineering there appears to be greater opportunity of dilution, particularly if the work is highly standardised. In a shell or fuse shop during the war, for instance, the machines were made “fool-proof” and were operated by women and girls under the control of skilled (but sometimes semi-skilled) tool-setters who took charge of a group of machines, set them as required and carried out minor repairs. The machine shop was supplemented by the tool-room, where skilled tool-makers conducted more serious repairs, and made the necessary tools, such as cutters. If the tool-room was sufficiently large and the work sufficiently standardised, the skilled tool-makers were assisted by semi-skilled men and youths.

The Workers' Opposition to Dilution.

Changes are constantly taking place in engineering: new machine methods are being discovered which tend to simplify the task of the worker, and the process of standardisation is advancing steadily, tending to greater specialisation and simplification. The employment of highly skilled workers on

repetition work is a waste of skill and effort, nevertheless the workers are instinctively opposed to dilution in its broadest sense.

Policy Dictated by Fear of Unemployment.

The policy of the skilled engineers is dictated by fear—the fear of unemployment. Unemployment may be due to one or more of several causes. The present depression of trade is clearly due, in the main, to causes which operate throughout industry and over the greater part of the world. It has no immediate and direct connection with engineering policy. From time to time before the war the engineering trades suffered from depression which, the workers argued, was largely due to overtime and payment by results. We are not concerned in this article with the merits of their argument: it is sufficient to note in passing that it partly explains their attitude towards overtime. But the unemployment which they fear as the result of the introduction of machinery or dilution is of a different character. They believe themselves to be in the same situation as sheet-metal workers and other craftsmen to whom reference was made in the first article; and they fear a net reduction in the demand for skilled engineers.

A Permanent Demand for Skilled Engineers.

But engineering resembles transport, and differs from the great majority of manufacturing industries. Its growth has been, and will continue to be, more rapid than that of population. In each generation it occupies a position of greater relative importance in the industrial system than ever before. New and important engineering trades appear when new methods of production are discovered in other trades. The power-loom created the textile engineering industry; marine engineering appeared with the steamship; railway engineering shops multiply with the development of railway transport; the electrical engineering and cycle and motor trades are of recent origin; the manufacture of printing machines has become a vastly more important trade; the introduction of the power press meant the addition of a new department of the heavy engineering trade; the boot and shoe trade now supports a separate branch of engineering. Numerous other sections might be specified, such as constructional engineering and the building of machinery for mining and metal manufacture. Additions are constantly being made to the industries employing machine methods. When allowance is further made for the number of skilled engineers regularly employed

on the machinery used in other industries, and in public institutions, hotels, etc., it is clear that the engineer is not in the same position as the cotton operative or the sheet-metal worker.

Responsibility for Temporary Displacement.

In the past, all the economy which was possible through new machinery in engineering factories, and through standardisation and dilution, was necessary to prevent a serious shortage of highly skilled engineers. There was no danger of an over-supply of skilled craftsmen. But when technical improvements resulted in displacement, there was no organisation in existence which undertook the responsibility of finding alternative employment for the displaced worker, or providing him with adequate compensation. If a scheme were discovered which would meet this difficulty the objection to new machinery and dilution would be largely diminished. We believe that the following is worthy of consideration.

A Scheme to Insure the Skilled Worker against Loss through Dilution.

1. A compensation fund should be created and placed under the joint control of the Employers' and Workmen's organisations, operating through a committee presided over by a neutral chairman.
2. Every skilled engineer covered by the scheme should contribute a sum, payable weekly, to the fund, and every employer should contribute an equal sum in respect of each contributing worker. The workers' contributions should be paid to the office of the firm, and should be sent by the employer, along with his own contribution, to the compensation fund.
3. Every worker now in employment, and paid the skilled rate for the district, would be entitled to contribute to the funds.
4. When any contributing worker is thrown out of work on account of the introduction of a new method the fact should be notified to the Committee, which would be compelled to pay adequate compensation until alternative employment as a skilled engineer could be found for him. If such employment entailed expense of removal, a contribution towards the cost should be paid from the compensation fund.
5. Apprentices, on completion of their training, should become eligible for membership provided they satisfied a proficiency test imposed by the Committee. Machinists and other workers should become eligible for membership if and when

they passed the proficiency test. As members they would also become entitled to the standard rate for skilled engineers, and, if displaced, be entitled to similar treatment by the Committee in respect of compensation.

The More Obvious Advantages.

Such is the bare outline of the scheme, which it is believed would be simple and effective. Its advantages are obvious. It would achieve much in the way of professionalising the craft. The payment of the workers' contribution through the office of the firm would provide an easy and automatic proof of eligibility. Compensation would only be payable under the circumstances already described, but it would be a substantial proportion of wages. The necessary premium or contribution for this purpose would be extremely small. For the scheme would in no way affect the existing unemployment insurance scheme; and in so far as unemployment was due to any cause other than the one already specified (in which case it would not be so restricted in its incidence) there would be no claim upon the compensation fund. The effect of the scheme would be to strengthen, rather than weaken trade unionism; skilled engineers would obviously desire to avail themselves of the benefit of the scheme and, if not already members, would naturally join the union in order to become eligible for compensation in the event of displacement. The co-operation of the associations on both sides for this purpose would signify the recognition of responsibility for the human difficulties created by technological advance; it would enable the two sides to discuss an important problem when there was an identity of purpose, if not always full agreement on methods. It would create a new atmosphere in the industry.

A Solution of the Apprenticeship Problem.

From another point of view the results would be desirable. The functions of an employment exchange would be performed with efficiency and great economy. More important, however, is the fact that the problem of apprenticeship would be approached afresh, and from another point. Up to the present apprenticeship has been but the instrument of monopoly and the educational purpose and test has been forgotten. It has been but a convenient method of limiting numbers and in this way maintaining the standard rate. The unions enforcing apprenticeship have denied in their own sphere that equality of opportunity which they urge for other spheres. Nor has the system guaranteed adequate skill. The rate is now guaranteed not to the skilled engineer but to the engineer who has served an apprenticeship. The status of the engineer has

suffered in consequence. The proposed scheme would make it possible, perhaps for the first time, to secure an adequate supply of fully trained engineers. The Committee would impose a proficiency test and suggest a scheme of training. The individual employer would be morally compelled to provide facilities for training by the fact that stigma would attach to him if his apprentices were often put down as failures. He would select his youths more carefully and show greater interest in their development. The craft would approach more closely to the status of a profession which takes pride in its work and delegates what is simple to others. The way would be paved towards the substitution of an upstanding wage where now the workers are paid an hourly rate, and towards that guarantee of employment which is implied in an upstanding or weekly wage. Moreover the scheme would provide ample opportunity to those who have not been able to afford a long apprenticeship, but have educated themselves in other ways while doing semi-skilled work in engineering. But they would be admitted only when they had satisfied an appropriate test of proficiency. New possibilities of co-operation with institutions providing technical training would appear, tending to a satisfactory solution of one of the most difficult problems of industrial education.

A similar Scheme for the Semi-skilled.

The scheme may appear at first to drive a wedge between the skilled and other sections of the engineer's union, but there is no real danger that such would be the result. It would even be less difficult than it is at present for the gifted worker who has not been trained by the usual method to gain recognition of his skill. Nor is there any obvious reason why, if the scheme proved successful in practice, a similar scheme should not be established for semi-skilled machinists, skilled moulders and other groups of workers whose occupations possess the same essential feature, viz., a reasonable prospect of steady growth. Finally, there appears to be no strong objection to the establishment of the scheme at once in the case of skilled engineers, for although the war inflated the engineering industry as a whole, the supply of skilled engineers did not increase. After normal trade conditions have been restored the demand for skilled engineers will grow steadily even when all possible economy of skill is effected in providing engineering products for the commercial market, which is far more varied and offers less room for standardisation and dilution than did the market for munitions.

A PARLIAMENT OF INDUSTRY.

FROM time to time voices are raised in favour of the project of an Industrial Parliament, and from time to time they fade away again. At the present moment the voices are active, their inspiration being the prolonged crisis in the engineering trade. Mr. Clynes and Sir William Noble have supported the project in *Current Opinion* (April), the organ of the Industrial League and Council. Mr. William Graham, M.P., initiated a correspondence in the *Times*, which drew letters from Mr. Arthur Henderson and Mr. J. C. Gould, M.P., and many others. From much letter writing little benefit has come. Those who support the project deplore that the Government did not seize the chance it had in 1919 to set up an Industrial Parliament, most of them being convinced that, had this been done, the nation would have been saved from the industrial strife which it has had to endure in the past three years. Believing this they readily believe also that if an Industrial Parliament were set up now, the next three years, and indeed, the whole future of industry, would be vastly more peaceful. Such is their faith in "machinery" in general, and in an Industrial Parliament in particular.

Now good "machinery" is useful to peacemakers. It is certain, too, that industrial "machinery" is still far from being perfect or adequate in this country. Yet that adequate machinery be available is not a guarantee of peace, or even the chief condition of peace. Goodwill is the only foundation on which peace can be based. The discussion of industrial troubles must not be expected to lead to industrial harmony if the Will to Harmony be lacking. Facilities for advice and consultation must be ineffectual unless the parties in a matter are sincerely willing to take advice and to defer, in a measure at least, to the influence of other standpoints than their own. Good advice and good agencies of good advice there have been in abundance during the last few years, had those who in fact preferred industrial fighting to conciliation chosen to use them. It is not unfair to these men to say that in the last few years industrial controversies have been swayed by headiness and intolerance and by a gospel of force. Until the evil spirit that has afflicted the country is exorcised, the mere development of "machinery" will effect very little.

A spirit of goodwill, were it diffused throughout industry,

would ensure a measure of usefulness for an Industrial Parliament, though not without lessening the need for one, and an Industrial Parliament might reasonably be expected to increase goodwill. But these probabilities do not clinch the case for an Industrial Parliament, or at any rate for such an Industrial Parliament as Mr. Clynes has sketched. Like the other sponsors of the project, Mr. Clynes has written with studious vagueness. His Parliament, while enjoying no executive functions, is to be the privileged adviser of the Government on "national" questions. He would deny to the Government, which must take the full responsibility for decisions on such questions,—though it is not quite clear what variety of decisions Mr. Clynes has in view,—the right to seek advice from whatever sources it may prefer. Mr. Clynes would restrict the Government's freedom but free his advisory Parliament from responsibility. By this Mr. Clynes must mean one of two things: *either* his Parliament is to be a cipher and therefore scarcely worth setting up, *or* it is to be powerful by using the Government, and such use of the Government would imply the prosecution by the Government of a much stronger and bolder policy in industrial troubles than has been customary. Sir William Noble's advocacy of an "impartial tribunal" is hardly less vague. If he means an "impartial tribunal" and nothing more, then it is not for want of impartiality or power to constitute tribunals that any of the deadlocks of the last three years have occurred; and his proposal does not carry us much further. But if he means a tribunal worth the name, that is, a tribunal having powers to enforce its decisions, then he, too, is groping after the same forceful measures as Mr. Clynes may have in mind.

The supporters of an Industrial Parliament harp on the intractability of "national" questions, and with good reason, for an industrial quarrel that is genuinely "National," or has been improperly allowed to become such, seldom yields to the conciliative method without great difficulty, if it yields at all. But what seems to escape Mr. Clynes and the other champions of an Industrial Parliament is that the recent ordering of industry has tended to create "national" questions and that an extension of "national machinery" is certain in practice to manufacture "national" questions. The War brought about a great concentration of negotiation and conciliation in London. Industrial affairs were transacted there by officialdom. The officials of employers' and of workmen's organisations interviewed the officials of the Government departments, and all three sorts enjoyed their experiences. The nation has paid for

this over-centralisation in various ways. Indeed it is still paying for it, and not least in the momentum towards Centralisation which is still so strong in industrial matters. Mr. Clynes' proposal is but another proof that Centralisation dies very hard in the minds of those who espouse it. At a time when the Country is weary of Centralisation and Control and is turning instinctively towards the development of local autonomy he has brought forward an imposing and no doubt costly project of Centralisation, a project too that could only win success, to some extent at least, at the expense of the Imperial Parliament.

There must always be "national" questions. But human nature in industry being what it is, the invention of "machinery" for such questions, plausible project as it may seem at first sight, is likely to multiply the questions rather than solve them. Many questions arise in industry that are strictly local and personal in origin. None of these ought to be allowed to "develop" into "national" questions. Cure and correction must be instant to be effective. The moral influence of an Industrial Parliament, shadowy by very distance and of necessity belated, is plainly not the best form of corrective. If "machinery" is to be regarded as of real use in industry, then in such a case the greatest usefulness would reside in a local and immediate agency. The chief need of industry seems to us to be not the centralised *Parliament* which Mr. Clynes desires, but a thorough scheme of decentralisation.

This is a reform that has often been advocated in these pages. We venture once more to urge it in a positive and specific manner. The position in the localities, as regards industrial "machinery" is precisely of a kind to facilitate the creation of national questions. Mr. Clynes and Sir William Noble's articles both express the natural wish that there existed a sure means, when industrial troubles spring up, of bringing the goodwill and the good sense of those who stand outside the conflict to bear in the cause of peace. There is almost always a stage in a dispute or controversy, and early in its course rather than late, when the peacemakers would succeed, if only they had a method and an instrument. But our industrial regions, admirably equipped as they are with every sort of sectional agency and special organisation, lack a "general" body capable of dealing with a sectional trouble and empowered by law for such action. At present the appeal in a trade or locality where employers and workpeople are at variance is almost always to a higher body that only differs in containing

more employers' and more workpeople's representatives ranged over against each other in identical fashion. The weakness of the Whitley system is already apparent to students of industry. Whitleyism seeks to unite the two sets of persons engaged on production but it makes no provision for the representation of the consumer, though the interests of the latter and also of the producers themselves make such representation and influence very desirable. Mr. William Graham, M.P., has urged in the *Times* that we must elaborate a Parliament of industry as the logical completion of Whitleyism. This would be wise if it were the merits of Whitleyism that were the subject of the discussion. In reality the time has come for inventing correctives for Whitleyism: the logical completion of Whitleyism is not very likely to deliver the country from the evil effects of the sectionalism and partiality that infect Whitleyism.

We venture therefore to put forward the method of decentralisation as offering the best hopes of cure or substantial relief of the present evils in industry. There ought, in our opinion, to be set up by Parliament in every important industrial area a Local Industrial Authority having statutory powers and autonomous authority and initiative within fairly wide limits. On this body some of the functions of the Ministry of Labour ought to be devolved, and also certain functions exercised by other Government departments in questions of work. The recent report of the Committee on Employment Exchanges, over which Mr. George Barnes presided, pointed in this direction, and some members, if not all, felt that the Exchanges ought to be transferred forthwith to new executive local bodies as their staffs. A Local Industrial Authority, being free from the sectionalism of Whitley Councils, Trade Councils, Chambers of Commerce, Employers' Associations and trade unions, and having a position of legal and moral authority, would be far more likely to give shape and force to a good standard of behaviour in industry, and to diffuse a friendly atmosphere than a Parliament of Industry sitting in London. The latter could only intervene after delay, and with the hesitation and weakness that attend on delays. Curative influences must be near to the seat of the disease, and they must be promptly used. Best of all is that communities should consume their own smoke, or at least as much of it as possible. They cannot do that without "Machinery"; and with machinery they may fail. But though machinery is not to be relied on entirely, good local machinery seems by much preferable to central.

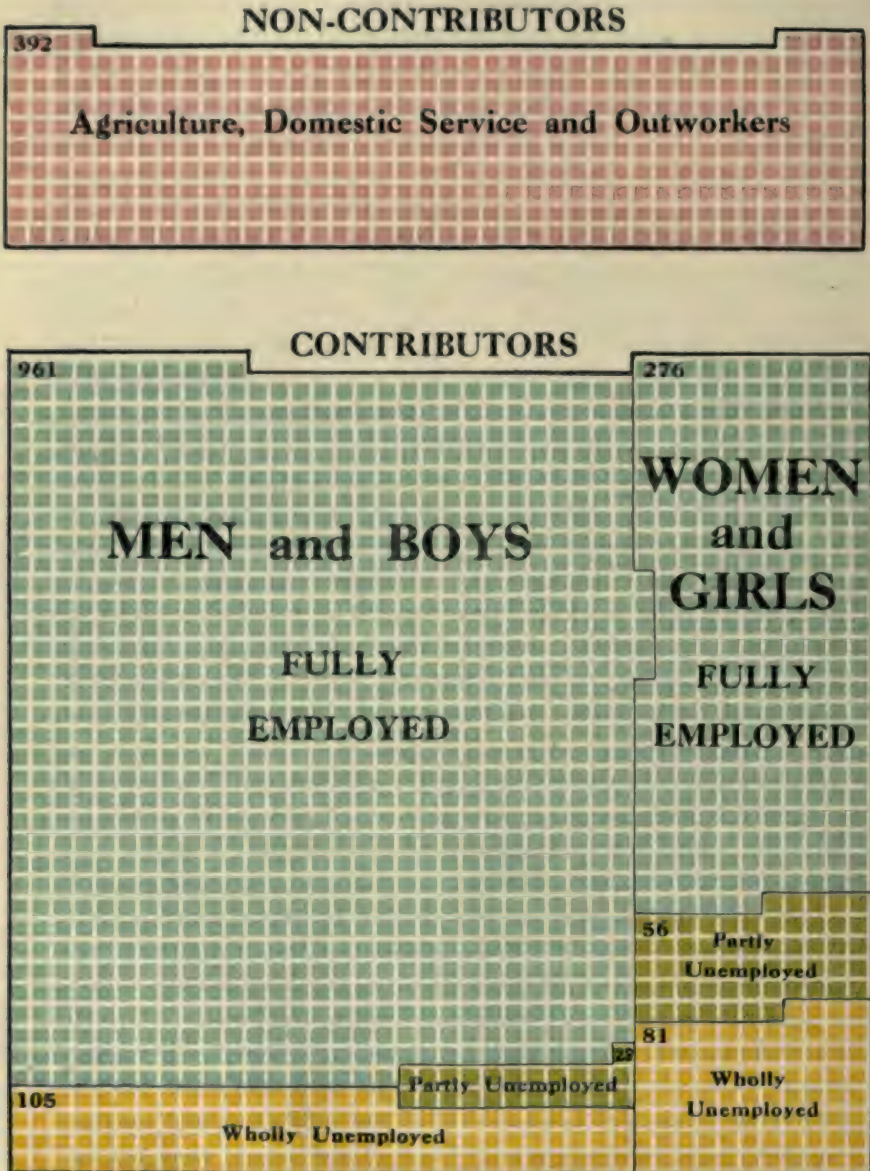
THE FACTS OF THE CASE IN DIAGRAM, XXV.

THE burden of unemployment under which British industry has been struggling for many weary months is still the most serious internal trouble confronting the nation. The percentage of unemployed in the Insured Industries, which had risen during the first half of 1921 from six to twenty-one per cent., took a turn for the better in July and this improvement was maintained, with occasional set-backs, until the end of March 1922. At the present no very decided tendency in the right direction is manifest, though on the whole the indications for the future are not unfavourable. The rise and fall of unemployment month by month since January 1921, is published in the form of a percentage-graph in the April number of the *Labour Gazette*. It is not, however, by watching the minor fluctuations of the employment chart that a comprehensive estimate of the range and importance of the problem can be gained. Short spells of worklessness, severe though they may be, are far less damaging to industry than prolonged periods of unemployment, because the latter, even where they operate on a somewhat smaller scale, have indirect consequences that do permanent injury both to the physique and the morals of Labour. Steady work becomes a habit of mind as well as of body and it is upon the basis of this habit that the economic and social welfare of the nation is built. The immediate effects of unemployment are bad enough, but the remoter losses are incalculable.

In the diagram which we print this month the average volume of unemployment in the insured industries over the fifty-two weeks from January to December 1921 is given and the result is contrasted with its complement, viz., the volume of the average number of workers in full-time employment throughout the year. It is impossible to look into the composite mind of the people and difficult to say what sort of notion is generally entertained by the man in the street with regard to the ratio between employment and unemployment. We have reason, however, to be under the impression that most people who have no special information of the subject would be disposed to take an exaggerated view of the actual measure of unemployment at the present time, to concentrate their attention on the magnitude of the number of unemployed and to under-estimate the extent to which they are outnumbered by those who are still in regular employment. If, as we

DIAGRAM No. 46.

(Note.—The figures in this diagram indicate the number of squares in each group.)



UNEMPLOYMENT DURING THE YEAR 1921.

Scale : each square of colour represents 8,000 persons.

suppose, such erroneous ideas are current our diagram will serve as a useful and timely corrective.

The average number of persons wholly unemployed and drawing unemployment benefits during the year was 1,487,000 out of a total of approximately 12,000,000 contributors insured under the Unemployment Insurance Acts of 1920 and 1921. Besides these wholly unemployed persons, there were, on the average, 627,000 short-time workers who qualified for benefit or donation in the course of the year. These figures are incorporated in the diagram, which also distinguishes between the incidence of unemployment as it affects men and women respectively. It will be seen that, speaking relatively, unemployment is more pronounced amongst the ranks of female labour than amongst male workers, amounting, as it does, to some 34 per cent. in the case of women, as compared with some 12 per cent. amongst the men.

The diagram is divided into two distinct parts, the upper portion, consisting of 392 squares, represents non-contributors, viz., agricultural labourers, private domestic servants and outworkers, all of whom are outside the scope of the Unemployment Insurance Acts. No attempt has been made to indicate the number of the unemployed in this section, because accurate statistics for the purpose are not available. It may be remarked, however, that unemployment can hardly be said to exist amongst domestic servants, and that in agriculture the supply of workers is about equal to the demand. Outworkers, on the other hand, are badly hit by the prevailing depression and it is probable that more than fifty per cent. are workless. Fortunately, however, the number of outworkers is, comparatively, almost a negligible quantity and amounts to less than five per cent. of the total reached by the agricultural labourers and domestic servants combined.

The lower portion of the diagram, consisting of 1,502 squares, represents all the workpeople covered by the Unemployment Insurance Acts and includes those working in practically every industry throughout the country with the exception of those agricultural labourers, domestic servants and outworkers already mentioned as non-contributors. Without in any way minimising the very serious nature of the unemployment problem, it is legitimate to congratulate ourselves on the fact that this unprecedented epidemic of worklessness has been, encountered without panic or breakdown and that means have been found to meet the very formidable liabilities incurred under the scheme of national insurance on a scale which was never anticipated and which has not been approached in any other country.

THE INDUSTRIAL DIFFICULTIES OF ITALY, III.

The Eight Hours Day.

DURING the latter half of last year there was a decided move in Italy to reduce wages, especially by further decreasing or, in some industries entirely abolishing, the *caro-viveri* (high cost of living bonus)—a heritage of war conditions. This system of *caro-viveri* has not been attended in practice by those advantages that were hoped from it. It was retained that it might ensure industrial peace but it has constituted a new source of agitation and may yet be the cause of more.

From the middle of 1921 until now this movement to reduce wages has continued uninterruptedly, and though its actual *modus operandi* has varied in different industries, the rate of reduction has been practically uniform throughout them all. The reductions have been brought about in different ways: either by agreements between employers' and labour organisations, or by agreements between individual employers and their workpeople, or by the action of the employers alone after a greater or less degree of opposition. Few of the reductions have been attended by strikes. Briefly the position throughout the country is as follows:—

1. Wage reductions have taken place in nearly all industries.
2. The reductions have not, in general, met with any determined opposition from the workers themselves.
3. The average amount of reduction has been from 10 per cent. to 15 per cent.
4. There has been a marked tendency to abolish the high cost of living bonus.
5. Where this still persists the aim is to make it independent of the fluctuations of the cost of living.
6. Efforts are directed increasingly towards the regulation of wages in accordance with the condition of the market and the state of the particular trade rather than with the cost of living.

The reduction of wages in Italy during the past year has been largely due to two main causes; firstly to trade depression with its inevitable effect upon the labour market, rendered the more acute by the prolonged failure of electric power, which took place in Northern Italy in the last four months of the year; and secondly to the cost of living which seemed to have definitely fallen during the first six months of the year, but suddenly rose during the latter half.

In the principal cities the index number of the cost of living followed an ascending curve until May, then dropped suddenly

during the next four months and started rising again in September and October, reaching its highest point in November. However, the upward tendency ceased in December, and in all the chief cities of Italy in January, February and March of this year, a slight but steady reduction has been noticeable.

As previously stated, Italian industry obtains nearly all its raw material and coal from abroad, and in order to face foreign competition successfully, increased production has become an absolute necessity; it is not sufficient merely to attempt to reduce its cost by cheapening labour at every opportunity.

One matter of vital importance to the question of increased output is the length of the working day. The Trades Union movement for the immediate establishment of a maximum working day of eight hours—a 48-hour week—was started in Italy at the beginning of 1919, and from that time has been steadily taking definite form by means of numerous contracts between employers and workmen, and to-day we can safely affirm that the new standard of working hours has been adopted in all the principal branches of productive industry, through separate agreements between the parties concerned.

Under pressure from the main body of workers, and still more from the Socialist members of parliament, the Government have under consideration a bill for the legal regulation of the hours of labour. The Bill drawn up by the Permanent Labour Committee, was discussed in July 1919, by the Supreme Labour Council, with representatives of employers and workers from the principal industries, and with slight modifications it was approved and brought before Parliament. But the ensuing economic crisis delayed its discussion; it seemed, indeed, an inopportune moment to pass an Eight Hours Day Bill at a time when in every country a chorus of protest was being raised against any legal restriction of the hours of labour. The results following upon such legislation in France and Germany have demonstrated to the new Ministry the necessity for caution.

At the same time, this legislature cannot claim to be introducing the Eight Hour Day into industry in Italy *ex novo*, since it has already been in operation to some extent. A uniform law for all at such a moment as this when industry is already struggling against abnormal foreign competition, could only further add to the difficulties of industrial life. It is undoubtedly these considerations which, up to the present, have influenced the Government, and the ninth Parliamentary Commission, which decided against ratifying the Eight Hour

Day clause in the Washington Convention, a decision which was endorsed by Parliament in August 1921.

It must be clearly understood that the Bill, as drafted, covers a very wide area in regard to administration, for no labour would escape from it, whether paid by wages or salary. It is specifically stated in clauses (i) and (ii) of the Bill that the law applies to all labour that is dependent upon and under the direct control of others and includes wage labour in agriculture.

The Bill is excessively rigid ; it does not permit (as does the French law and the new German one) of that elasticity in administration and breadth of interpretation which would allow for the special conditions of different industries to be taken into account. For these reasons it is impossible not to believe that the general introduction of an eight-hour day into Italy would be followed by reduced production to an even greater extent than has been the case in the other countries where it has already been made compulsory. There is one point in particular, in the Italian Bill as drafted, which differs from the legislation in force elsewhere. In Clause IV it is expressly affirmed that all overtime must be paid at a rate not less than 25 per cent. higher than that paid for normal working hours.

Generally speaking, Italian employers are always considering ways and means of improving the conditions of labour, and of raising the standard of living of their work-people, and they have already widely adopted an eight-hour day in practice ; but they firmly maintain that such a law as the one under discussion would not help towards an increase of production. The labour organisations, on the other hand, have started an active campaign to hasten the discussion and passing of the Bill, endeavouring, unsuccessfully up to the present, to influence the Government.

This campaign now being carried on among the workers, originally started in the claim of the National Federation of Master Builders (made at the time of the negotiations for the new labour contracts) that the hours of labour lost through bad weather should be made good, up to the annual total of 2,640. This question was settled at the International Congress of Builders held at Brussels, where a resolution was passed approving a system on the principle of an eight-hour day for seasonal industries, particularly for the building trade, with the proviso that the lost hours should be made up to the maximum annual total. The principle of fixing the annual total of working hours has already been adopted in Italy in

various other agreements: for example, in that of the spinning trade.

The proposition put forward by the Federation of Master Builders thus became the contributory cause of a campaign which has, in reality, a threefold object: (a) To counteract the impression that might be created in Italy by the campaign going on abroad, in the countries where the principle of the Eight-Hour Day has been legally enforced, by the exposure of the unsatisfactory results produced—results which are evidenced in the failure on the part of the Unions to recognise the sacrifices made by industry in accepting the shortened working day, and an absence of improvement in the rate of output. (b) To aim at hastening the passing of the Bill through Parliament. (c) To claim before the workers in general, should the Bill pass, that it is the fruit of their campaign—a success due to the new tactics adopted by the General Federation of Labour, of combining political with economic action.

Italian employers have recently sifted this question to the bottom, in various important Conferences. They maintain that the principle of the Eight-Hour Day can only be accepted if it is to form the basis for determining the wage standard. The eight hours must be understood as meaning hours of *actual labour*, not merely presence in the factory, and exclusive of any preparatory or complementary work; this is not included in the legal eight hours by other legislatures. Above all, they cannot consent to any attempt being made to abolish or unduly restrict the practice of overtime, which they maintain should be regarded as a right of the employer, free from arbitrary restrictions, because economic expediency itself prevents an employer from resorting to it unless it is strictly necessary. They demand that there should, therefore, be an end to all restrictions which limit overtime to cases of emergency or unusual pressure. Overtime should, they think, be made independent of the will of the workers, who should not be able to refuse it. It should be free from any limits as to duration.

Under these conditions high wages can be paid for work in excess of the eight hours, but these wages must not be fixed by law, they must be left to the decision of the parties concerned. It is felt that only political busy-bodies could give their consent to the passing of a Bill so anti-economic as the one now before the Italian Parliament, and to which the Government itself shews little favour.

ENZO CIMINO-BONAFEDÉ.

TRADE AND FINANCE, VIII.

Gold and the Budget.

IN this series we have endeavoured to avoid questions of merely academic interest, and to consider only those problems which have a direct and immediate bearing upon industry and finance. The article on 'The Return to Gold' in the April issue appeared to be concerned with abstract theory, and was, we are informed, by no means easy to grasp. During the past month, however, two events have occurred which show not merely that the article was concerned with practical questions, but also that it was published at an opportune moment. Those events are, first, the publication of the resolutions of the Financial Commission at Genoa, and, second, the Budget proposal to reduce the income tax by one shilling in the pound.

A few days after we had written the previous article, Mr. J. M. Keynes emphasised the importance of a return to gold, and elaborated the financial machinery necessary to achieve this end. Two points in his article (in the *Manchester Guardian*) call for consideration in connection with the above events. In the first place, Mr. Keynes held that not only this country, but France, Italy and certain other European states could and should link up their currencies with gold in the immediate future; and that, in the second place, those states whose currencies had depreciated more than twenty per cent. (so that our own would be included) should not attempt to return to the pre-war parity, but should devalue their existing currencies, substantially by accepting their present commercial values in terms of gold. In our own case, for example, if (by comparing its value in golden dollars) we found that the sovereign was worth 22/- in paper, the Treasury note should be formally devalued to that extent, and the legal obligation to convert the pound note into a sovereign cancelled.

On the first point, Mr. Keynes' view differs from the view which we expressed in the previous article. It was there stated that (a) the external value of the currency of a state fell below the internal value when that state was unable to meet its maturing obligations to the rest of the world from current exports, and (b) so long as such external depreciation continued it was impossible to restore gold. If any attempt were made in this direction the gold would immediately be shipped abroad in payment of maturing debts. These would

need to be funded as the first step. The currencies of both France and Italy are externally depreciated, and if what has been said is true, these states could not restore gold without first making arrangements for external loans sufficient to cover their actual and prospective debts. The difference in point of view seems to be due to the fact that while Mr. Keynes appears (by implication) to attribute the external depreciation of French and Italian currencies to political factors, we have emphasised the importance of debts and implied that political instability does not *create* depreciation but only *intensifies* already existing depreciation due to trade conditions.

If we have interpreted them correctly, the resolutions of the Genoa Financial Commission endorse the views which we have expressed. The Commission, like Mr. Keynes himself, stresses the importance of anchoring all currencies to gold at the earliest possible moment, and suggests methods of achieving this result and machinery for maintaining the new position. But it also proceeds to emphasize the prior need of providing financial assistance to those states which, on account of their heavy external and maturing obligations, cannot otherwise overhaul their currencies. The Commission also repeats the recommendations of the Brussels Conference of 1920 to the effect that states should abolish subsidies and abandon the policy of inflation. We had intended, in this article, to describe the difficulties which, in some cases, almost compel the policy of subsidising industries and inflating currencies, but we must pass on to consider the second point in Mr. Keynes' proposal, and its relation to the new Budget.

Mr. Keynes suggests that paper currencies should be devalued to the extent necessary to restore gold without upsetting existing inter-relationships. The Genoa Financial Commission endorses this view. The alternatives in this country would be either the postponement of change for the time being, or the early restoration of the gold basis without any devaluation of the paper currency. The latter would mean a deliberate policy of deflation, and would involve further reductions in *rates* of payment, whether wages, salaries or profits. It would be accompanied by a proportionate fall, or more than proportionate fall, in the revenue derived from the taxation of income at a given rate; but it would not be accompanied by a proportionate fall in the expenditure of the state, a great part of which, being interest on national debt and pensions, is far less elastic than the revenue. In other



words, government expenditure would comprise a growing proportion of the total money incomes of the members of the community. A government which intended to embark upon such a policy would naturally seek, at all costs, to reduce the national debt as quickly as possible.

But the Cabinet has pursued the opposite course. It proposes to suspend the sinking fund and to reduce taxation. We must credit the Cabinet with the desire to maintain the high traditions of the past, and to regard each budget as but one of a series representing sound financial policy. Continuity is of the essence of good budgeting. Clearly the Cabinet does not contemplate an advance in the rate of income tax next year. It follows that it calculates future revenues on the assumption that the average income of a fully employed person is not likely to be materially reduced, and that when trade is restored the additional revenue will be employed in the reduction of debt. Thus it is extremely likely, if not clearly proven, that the Treasury does not contemplate the early restoration of gold as the result of any deliberate policy of deflation initiated by itself. Deflation involves heavy taxation and a large sinking fund—or alternatively the reduction of the national debt by means of a substantial levy on capital: an alternative which is obviously not being seriously considered.

If the reduction of income tax is intended to be permanent we appear to be faced with the choice of two courses. One is to follow Mr. Keynes' advice (and presumably that of the Genoa Financial Commission), and place the currency on a gold basis, devaluing the Treasury note to the extent necessary to maintain the existing volume of currency (legal tender and credit) in circulation. Many important arguments may be urged in its favour, but we do not believe that the Treasury contemplates such a policy. Nor do we think that the nation would be likely to regard it with favour. The second course is to ignore the gold question for the time being and to allow the Government to continue its policy of controlling supplies and shipments, in the confident hope that the value of the Treasury note will increase in terms of gold until parity is reached. But if such a policy is to succeed it will be necessary to take stern measures to prevent inflation when trade recovers. We shall endeavour to show that inflation, inevitable under present conditions in some European countries, is still a serious danger even in this country. The risk of inflation is the major risk taken by the Treasury in framing the new Budget.

FOOD FOR THOUGHT.

At the time of writing the engineering dispute continues to drag a lengthening chain of mutual recrimination along its tortuous path. Sir William Mackenzie's enquiry which, it was hoped, would remove all remaining obstacles to peace, has achieved little more than the emphasising of new points of disagreement. Each disputing party claims that the other is reactionary in its refusal to move with the times, and the worst part of the business is that in the contention both parties are, up to a certain point, in the right.



The employing firms are justified in believing that encroachments upon managerial responsibility, if not checked, will tend to become more and more pronounced until industry ceases to be profitable, and that when this happens industry, losing its life-blood, will come to a full stop. Their experience teaches them that too many cooks spoil the broth. Consequently they stand fast to the principle of unity of command and withstand any assault upon managerial functions. Naturally this attitude does not commend itself to the more ambitious spirits in the Labour world who, not without some measure of popular encouragement, have declared their intention of ousting employers from the control of industry, lock, stock and barrel. It is true that only a small section of the workers takes this extreme view of the future relations of employers and employed, but once such a threat has been uttered by men who, in general, appear to command the confidence of Labour, it is inevitable that a strong defence should be organised in response to the challenge.



The leaders of the A.E.U., looking primarily to the question of their own security of tenure as workers in enjoyment of exceptional advantage due to their skill as handicraftsmen, argue that if they relax their vigilance and allow the management a free hand, they run the risk of their status being gradually lowered by the installation of new machinery and by the introduction of new methods and standards for estimating the wage-value of their work. The result of these conflicting aspects of the same problem brings about a paradoxical situation, for whilst both sides claim to be progressive they both, at the same time, declare that they are striving to maintain the *status quo ante*. The employers desire that the

evolution of industry should not be unduly hampered by material changes conceived with the idea of improving, or at least of maintaining unimpaired, the privileges of a certain section of workers. The members of the A.E.U., on the other hand, are determined to prevent, if possible, a halt being called in their social and financial progress by the operation of any material changes in the definition of what type of workmanship constitutes a skilled job. In their eagerness to defeat this kind of innovation they are deaf to the demand for higher production and blind to the danger of the consequent decline of the industry on which their livelihood depends.

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In such a dilemma as has been reached in this dispute it is inevitable that the controversy should centre round the question of the interpretation of the word "material." But it is no longer on any point of detail, however important it may be in the estimation of the protagonists, that a settlement is likely to be found. The ultimate solution will be arrived at, if at all, by way of a readjustment of the personal equation. Ill-will is stronger than logic, and mutual suspicion is a more formidable obstacle to peace than any clearly defined and clearly expressed difference of opinion. The negotiators have done their best, according to their lights, and they have been unable to hit upon a *via media*. The deadlock cannot continue for ever, and it is time for new avenues to be explored by new advocates of the respective views. Without departing from what they consider to be essential requirements of justice, the contestants can at least bring themselves to recognise that there is something to be said on both sides, and to admit that the fears of their opponents are not unfounded or unreasonable. The advantage of the community and not the triumph of a faction is the thing that really matters, and this is less likely to be lost sight of when those who have been in the thick of the fight hand over their responsibilities to others who are not so deeply committed to ultimatums which, in point of fact, cannot be the last words on either side. The article *Labour and Dilution* on another page, contains, we believe, the germ of a settlement which goes deeper than any of the contentions advanced during the course of the engineering dispute, and we commend it to the very earnest attention of our readers.

DAY BY DAY.

(A monthly Record of the principal events which have a direct bearing upon the maintenance, or otherwise, of peace in industry).

April

1st.

The Ministry of Labour index figure showed the cost of living to be 82 per cent. above that of July, 1914. This is the lowest figure recorded since October, 1917.

Changes in rates of wages during March resulted in a reduction of over £223,000 in the weekly full time wages of about 1,350,000 workpeople, and in an increase of £800 a week in the wages of about 10,000.

One hundred and one wage disputes involved the loss of about 3,500,000 working days and caused about 280,000 people to be out of work. The principal disputes were in the engineering and shipbuilding trades in which about 240,000 people were involved.

Unemployment declined slightly. Among trade unionists the percentage remained at 16.3. The figure for workers under the Unemployment Insurance Act fell to 14.6. The Employment Exchanges registered 1,740,000 as unemployed and 223,000 as working systematic short time.

Engineering dispute: A conference took place between Sir Allan Smith and representatives of the National Joint Council of Labour. Their joint proposal will be considered at a meeting of representatives of all the trade unions involved. The Electrical Trades Union carried a resolution in favour of a general strike. The resolution is to be submitted to the General Council.

2nd.

Mr. J. H. Thomas, speaking at Scunthorpe, denounced the general strike policy as disastrous both to the community and to the A.E.U.

3rd.

Engineering dispute: The day was spent by the trade union delegates in discussing the amended proposal arrived at by Sir Allan Smith and the mediating committee of the General Council. The chief point in dispute was whether, in the event of a dispute in regard to any material change in working conditions, the managerial decisions should be enforced pending negotiations. Labour claimed that negotiations must precede such changes. Mr. Lloyd George invited the disputants to confer with him.

4th.

The Premier held a series of interviews with the Labour Mediating Committee and with the employers. The result of these was that while the A.E.U. refused to re-open negotiations, the 47 other unions concerned agreed to negotiate on

the basis of the memorandum signed by Sir Allan Smith and Mr. Henderson on April 1st. The employers agreed to reverse their decision not to negotiate except with the unions as a whole, and it is anticipated that the lock-out notices expiring to-morrow will be suspended.

The Shipyard Workers' ballot showed a big majority in favour of rejecting the proposed reduction of the war bonus. Less than one-third of the members voted, but no separate union gave a majority vote in favour of acceptance.

- 5th. Engineering dispute: Lock-out notices to unions other than the A.E.U. were suspended. It is proposed to devote next week to negotiations, and in the event of an agreement being reached, 14 days will be given to allow of a ballot vote being taken.

The Association of Executive Officers of the Civil Service decided by ballot vote not to associate for political action nor to raise a fund for the support of Parliamentary candidates.

- 6th. Shipyard dispute: The Conference arranged by Dr. Macnamara and the Joint Labour Council between the Shipbuilding Employers' Federation and the Shipyard unions was unsuccessful. The unions suggested arbitration but the employers refused to comply. Dr. Macnamara will meet the employers to-morrow.

- 10th. Negotiations were resumed between the engineering employers and the committee representing trade unions other than the A.E.U. and will be continued during the week.

- 12th. Negotiations in the cotton industry are reported to have broken down. The employers originally called for a reduction of 75 per cent. on price lists but have reduced their demand to 50 per cent. The operatives, who were at first willing to concede only 25 per cent., finally offered to accept a 40 per cent. reduction. Thus the amount at present in dispute is only 10 per cent., or rather less than 10d. in the pound.

- 14th. Cotton wage dispute: The card-room operatives, who are negotiating their case separately, conferred with the employers and adjourned until Tuesday. It was officially stated that the outlook was good, and it is hoped that the result may lead to renewed negotiations between the main body of the operatives and the employers.

Engineering dispute: The negotiations between the Employers' Federation and unions other than the A.E.U. broke down. The unions claimed the right to be consulted as to what constituted "material changes," but the employers maintained that this would, in effect, deprive them of the control which they insisted must be in their hands.

15th. The I.L.P. opened their 30th annual conference. Mr. R. C. Wallhead, the President, presented a report on the Berlin Internationale Conference. This conference urged that in view of the advance of international imperialist capitalism, they should organise mass demonstrations during the Genoa Conference to demonstrate the united will of the class-conscious proletariat. A delegate called for the resignation of Mr. J. H. Thomas in view of his "vindictive" attitude in his recent libel action against the National Labour Press.

17th. I.L.P. conference: Mr. R. C. Wallhead in his presidential address, declared that only socialisation could solve the problems in which capitalism had plunged the world. Mr. Lloyd George's policy had reduced the workers of Central Europe to penury, and their penury was being used by the unscrupulous capitalist class to depress our own people's standard of living below pre-war days. Mr. Winston Churchill had flung out a challenge from the possessing classes to the dispossessed, and socialism accepted the challenge and would win. The engineers' dispute was declared by Mr. Robert Smillie to be part of a deep-laid scheme against organised labour on the part of the Government and the Federation of British Industries.

18th. I.L.P. conference: A resolution was passed repudiating the idea of alliance with the Independent Liberal Party. Motions in favour of prohibition and of accepting affiliation with the Communist Party were rejected. Mr. Clifford Allen was elected Treasurer.

Cotton wage dispute: It was announced that the card-room operatives had reached an understanding with the employers which would bridge over the present dispute provided agreement could be arrived at with the other operatives. The card-room workers represent about 78,000 of the total 400,000 concerned.

19th. Engineering dispute: The Engineering and National Employers' Federation decided not, for the moment, to enforce the suspended lock-out notices to the 47 unions.

20th. The Employers' Federation conferred with the unions other than the A.E.U. and with members of the Labour Joint Council, as a result the National Joint Council will undertake certain enquiries as to the possibility of further negotiations, and the negotiating committee of the unions will confer with the A.E.U.

21st. As a result of the mediation of the National Joint Labour Council, the Employers' Engineering Federation and the

A.E.U. met in conference but no agreement was reached. It is stated that the employers offered to raise the lock-out and withdraw the memorandum on management on condition that they should reserve to themselves the right to review wage conditions.

Cotton dispute: The resumed conference broke down. The card-room operatives and the employers had agreed to a reduction of 50 per cent. on piece price lists, but the other operatives refused to go beyond 45 per cent.—a difference of only five-pence in the pound. Unless some further development occurs, a stoppage involving the idleness of 500,000 workers will begin on April 29th.

Lace Trade: Nottingham employers have announced that they will reduce the existing bonus of 75 per cent. to 50 per cent. for piece-workers, and the day-workers' bonus by $1\frac{1}{4}$ d. in the shilling. The workers have rejected the proposals and a lock-out is feared.

22nd.

Engineering dispute: The efforts to find a new basis for negotiations broke down, and the Employers' Federation issued instructions that the suspended lock-out notices be put into effect. The insuperable difficulty appears to be the employers' claim to determine, in the first instance, what changes in recognised working conditions are "material changes."

Cotton dispute: Negotiations in this industry having failed, the stoppage of the trade is due to begin on the 29th of the month.

24th.

Engineering dispute: Despite the fact that the employers reserved the right, in the event of negotiations breaking down, to put the lock-out into immediate effect, work will not actually be suspended until May 2nd.

25th.

Lock-out notices were posted by some 3,000 firms affiliated to the Engineering Employers' Federation. About 1,000,000 men will be affected. The Employers sent letters to the A.E.U. and to the Negotiating Committee of the other unions stating that, in their opinion, the course followed by the unions was not due to opinions held by the work-people, but was the outcome of political motives in which international policy plays a part. They intimated that they would now consider the advisability of providing work for those willing to enter into separate agreements.

Cotton dispute: The operatives agreed to accept the terms tentatively arranged with the card-room workers, viz., a reduction in piece prices of 40 per cent. on May 6th, and of 10 per cent. in November. This arrangement covers the wages question for the next thirteen months.

26th. Engineering dispute: Mr. Frank Smith, Secretary of the negotiating committee of the 47 unions replied to the Employers' letter regretting the, as he considered, unfounded imputation of political motives for the dispute, and the threat with which the letter terminated, all of which was detrimental to the chance of an amicable settlement. Mr. Clynes was asked to postpone until to-morrow his request in Parliament for a Court of Enquiry, as the men were still considering the latest communication from the employers.

27th. The Government appointed Sir William Mackenzie to hold a Court of Enquiry under Part II of the Industrial Courts Act, into the engineering dispute.

Shipbuilding dispute: At a National Conference of the Unions concerned it was agreed to recommend to the men acceptance of a reduction of 16s. 6d. in the bonus, the reduction to take place in three cuts. The offer will be ballotted by the men.

28th. Engineering dispute: A preliminary meeting of the Court of Enquiry was held. Sir William Mackenzie has not yet decided whether the investigation shall be held publicly or not. The subject of the enquiry will be the whole of the disputed memorandum of November 17-18, 1921. The employers were approached by the A.E.U. with a suggestion that the lock-out should be raised during the holding of the court. Notices are to be posted that on and after May 3rd, employment will be available to men on conditions which roughly correspond to the provisions in the rejected memorandum. The unions have unanimously instructed their members not to present themselves for work.

29th. There will be no suspension of the engineering lock-out during the investigation by Sir William Mackenzie.

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ECONOMICS STUDY SCHEME, II.

Set No. II of the examination questions appeared last month and will not be reprinted. Answers should reach 20 Magdalen Street, Oxford, not later than June 15th. The third (and last) set of questions will be published in the June number of this journal. As stated last month, papers cannot be returned.

Students who, for any cause, withdraw from the Study Scheme are asked to return borrowed books at once *to the Central Library, 9 Galen Place, Bury Street, London, W.C. 2.* The copies lent are not for sale, but the books can all be obtained through any bookseller.

Students who want to borrow *The Ethics of Citizenship* and have not yet received a copy, should send a post-card to 20 Magdalen Street, Oxford.

The following two pages are devoted to notes on the method of answering questions 1 and 2 in the first set. Questions 3 and 4 will be dealt with next month. *No correspondence can be undertaken in connexion with these outline answers.*

In framing an examination paper an examiner generally has two objects before him. He wants to test the pupil and at the same time to guide the teacher. But in the present case teacher and pupil are one and the questions are announced before the course of study is completed, and hence the contents of the paper exercise a very definite influence on the candidate's reading. The second object, therefore, plays a much more prominent part than usual, and the student will doubtless be constantly asking himself "Have I grasped the point of the question and do I understand what the examiner is really driving at?"

It is with a view to providing an answer to questions of this kind that the following notes are here given. It should, however, be pointed out that they are merely intended to be suggestive, and that they make no pretence of being complete answers, or of laying down the one and only method of dealing with the question.

Question 1:—"What, from an economist's point of view, is the real meaning of the term 'productive?' Explain, with illustrations, how efficiency in production may be secured.

The term "productive" is a relative one, it has no meaning apart from the purpose and object of the activity or effort which it is used to describe. It is also a comparative term, there are degrees of productivity. Between full accomplishment of the purpose and absolute failure to achieve it there are numberless gradations. Effort in its result may be more or less productive—it is seldom entirely wasted. The object of economic effort is the satisfaction of wants: the measure of

productivity, therefore, is the extent to which those wants are satisfied. In ordinary life, the productivity of a particular effort is measured by the income it will bring, that is, by the purchasing power obtained over things in general. But here comes in another consideration. The amount of income—that is, the amount of satisfaction obtained from that effort—depends on the extent to which other people's wants are satisfied by that activity. It is through satisfying the wants of others that we satisfy our own, and effort can only be productive to ourselves by being productive to others.

Turning from the general to the particular, we associate efficiency in production with the degree of productivity of the various efforts concerned. Production is, for the most part, carried on not by individuals but by groups, and efficiency is tested by the income of the particular business undertaking. Efficiency implies the maximum of output for the minimum of effort, but this by itself would not secure productivity. This depends on satisfying the needs of others, on producing what people in general want and at a price they are willing to pay. Many manufacturers to-day have their warehouses full of goods, of the very highest quality, perhaps, and yet, because these goods have not found a profitable market, the effort has not been productive, or, in other words, it has brought very little satisfaction of wants to those by whose combined effort the goods have been produced and made available for consumption.

Question 2:—"Compare the economic life of the present day with that which was general in mediaeval England."

The economic life of to-day is so complex a thing that it is difficult to visualise it, still more difficult to describe it. It seems much easier to get a picture of mediaeval times, when wants were comparatively few and the means of supplying them were close at hand. Reference might well be made to the outstanding features of modern economic life—the indirectness of effort, the world-wide economic interdependence, the use of money and the development of credit, the large scale of production and the elaborate machinery for the distribution of the products of industry. All this could be compared with the simplicity, as it appears to us, of life on the manor or in the mediaeval town; the former characterised by the almost complete dependence of the inhabitants on what the labour and the resources of the household or village could supply, the

latter by a certain specialisation of crafts and by the organisation of economic life with a view to local self-sufficiency, to protection from outside competition, to regulation of industrial effort in the interests of producer and consumer alike. External trade was not unknown, but, for the most part, the members of the community depended on local craftsmanship and on such food and materials as could be obtained in the immediate neighbourhood.

From the point of view of economic relations apart from the organisation of effort already referred to, there are two outstanding features:—

(1) Buyer and seller are in immediate contact with one another. The craftsman only makes that for which he knows he has a certain market. The consumer only demands that which he knows local industry can provide. There may be bad harvests or heavy exactions or acts of violence which may cause a period of economic distress, but the balance between production and consumption is not difficult to maintain. Economic life, though narrow, is more or less regular and generally understood.

(2) Economic society is not divided horizontally into capital and labour, into employers and employed, but rather vertically into crafts, within which apprentices, journeymen, and master-craftsmen are, as a rule, the three stages through which each individual passes as a matter of course.

A comparison between such conditions and those of the present day is not difficult to draw. Space forbids one's enlarging upon it. The wide gap between producer and consumer deprives the worker of that satisfaction which comes from a knowledge that the want of the consumer has been fully and satisfactorily met by his effort. Production to-day is a mere piling up of quantities of goods, with the one idea that they are the means of bringing some personal satisfaction. The speculative character of modern economic life contrasts very strongly with the security of mediaeval conditions. The individual plays so small a part in the vast operations of world trade that he cannot appreciate the effects of his own effort except so far as it actually concerns himself or those with whom he has entered into some form of association. The vastness, the complexity, the uncertainty of modern business render a clear view of its working almost impossible.

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JUNE

MCMXXII

"Those who would govern must brave the
mutterings of unrest."

INDUSTRIAL PEACE

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INDUSTRIAL PEACE

WHERE STANDS THE LABOUR PARTY?

POLITICS is a many-sided thing. It has, for instance, an objective side: though some who should know this often forget it, and others, novices, barely suspect it. That political problems exist, that they are objective to a degree and insoluble without cool thought and honest motives, are matters beyond doubt. Good politics is the right answering of these problems, and the answers must be given with single-minded acknowledgment of those divers facts of mankind's life wherein the problems take shape.

Again, politics has subjective, or at least less objective sides. The perceiving and the answering of problems bring in weighty questions of methods and instruments, which things may with more clearness be called "tactics," the one, and "parties" and "personalities" the other. Politics is a sphere in which that which is to be done may readily be forgotten or undone through preoccupation with methods or solicitude for instruments.

Now "tactics" it is clear is closely related to "parties" and "personalities"; for many decisions on tactical points are brought about by regard for the supposed interests of "parties" or "personalities". But this is not so always, since "tactics" may be free from the crasser selfishness of parties and persons and yet be as foolish as if they sprang therefrom. Innumerable, indeed, are the modes of error in politics. Yet most of them come under these three heads: objective blindness, tactical manias, solicitude for instruments, be they parties or individuals' careers. The good politician, therefore, must have a cool and clear understanding of problems, a sense of tactics and a sentiment of discipline. The good party will not lose hold of any of these three cardinal elements, or, on the other hand, allow any one of them to set up a sterile tyranny over it. Where such a party may be found, and whether it exists at all, would be very hard to say. The purpose of this article is only to weigh the Labour Party by a theoretical measure.

The first question to be answered is this: *Is the Labour Party objectively intelligent?* It is not as if objective intelligence were common in politics, or easy for politicians to abide by. New parties are mostly unaware of the peculiar

difficulty of political problems, being made up of persons discontented with old parties, which they believe perverse, and absurdly slow and weak. The not believing a thing difficult works in men's mind to make them incurious of its nature and qualities. The nearer view of problems and the first wrestling with them, driving out the pride of ignorance and slothful indifference, convince new men, unless they be unduly obstinate, of the hardness of the problems, and of the prodigious protractibility of human affairs. For politics is like women's work, which is never done. That becomes clear before long in a general sense to the new men. That particular problems are intricate and intractable also becomes clear. Thus the Labour Party not long since discovered the Irish problem. Using accustomed emphasis it said at once that a solution must be found, hinting that much help might be had from trade unions towards the solving. But shooting goes smoothly on in Ireland: and the new party half sees that trade unions are not All-wisdom or All-power, at least in a non-industrial country. Even before Ireland Russia was discovered. The Labour Party demanded, like a judge admonishing under penalties, that trade should be done with Russia: though enough were willing, in principle, to do this trade. Trade is a conscienceless enterprise. The great obstacles lie in the arranging how the trade shall take place. For there is no certainty that the affair will be trading in reality, and not philanthropism or robbery, so that only the richest, and they of a speculative mind, can afford to make trial. Months passing with but little trade done, the Labour Party has learned some lessons about Russia and about trade. Fortune has favoured the Labour Party by the number and the magnitude of those object-lessons which may be had by surveying present affairs, whether at home or abroad: and though these many and hard lessons cannot be learned within the all-too-short period during which the solutions of many of the problems must be found, the Labour Party, it is clear, profits by these opportunities.

The Labour Party has grown wiser, and will grow wiser still. But will it be the Labour Party when it has grown wise? In part, and perhaps the greater part, it has still but one political principle—the Fear of Labour. All political parties labour under this fear, and act from it. Only the Labour Party has sunk to be the herald and megaphone of Unrest—some would say the forcing-house thereof. It is not

enough to play on but two notes: one heard before the Government must take some step, "*Don't do it: there will be unrest,*" and the other after the same, "*See what you have done: listen to the unrest.*" But the Labour Party has begun to see that unrest is only the usual accompaniment of the governing of mankind, and that those who would govern must brave the mutterings of unrest.

Has the Labour Party a sense of "tactics"? The answer to this question is double: that it magnifies tactics overmuch, but that its own "tactics" are bad. The one, perhaps, causes the other. It was said of the German race by a German, Nietzsche, that it lives never in the present but always in the future; and it is thus with the Labour Party. For politics consists rather in doing now what the present situation needs with whatever force is to hand, than in labouring to catch distant glimpses of future things. The Labour Party ponders much on how things shall be when the public mind has changed in certain ways which it thinks it can surely foresee and within periods which it thinks it can measure in advance.

It has a strong impulse ever to keep in advance of the common opinions, which is not the same thing as to lead them. To set out thus may seem a reasonable way to make sure that when the public mind catches up, it and the Labour Party will be at one. Yet this impulse becomes a detrimental habit, and impedes both success and usefulness. It was this impulse that led the Labour Party to abandon the Coalition at the Armistice, an itch for self-expression seconding it. There is use in politics for self-expression, but a need for its control as well. It is doubtful whether as regards the temptations of tactics and the vagaries of self-expression the Labour Party has made progress, at least outside Parliament. Let no one forget that the Labour Party is the spokesman of a class, and serves a priesthood, so to speak, of class-prejudice. What would remain of the party were it stripped of this Sacerdotalism, who could say? Self-expression is its very life. The leaders megaphone to the world what their followers give them, and unaltered. From time to time they rue their part, demanding to be real leaders. How that can be is difficult to see.

The third question is: "*Has the Labour Party a due sense of discipline?*" The answer is difficult. The Labour Party is set on organisation, and it has great skill and experience therein.

Some things it organises better than well; for instance, a dull mediocrity of socialist opinions. Labour members of Parliament speak impersonally; they utter 'the Labour view' or 'our view,' but seldom 'my view.' There exists an all-powerful Hidden Hand in the Labour Party, a hand that shapes policy and circulates formularies of the same in convenient words, so that up and down the land identical things may be said identically. By congruity of utterance this plot imposes upon the public, until suspicion is aroused, and all these harmonious opinions, sent forth from one source, are disparaged. Yet the lending of weight to opinions by concoction shows the enthusiasm for this new party which its supporters entertain. Some think it shows rather what little thought or policy the supporters have in their own minds; and indeed it proves both things. These supporters seek a great future for the child of their enthusiasm. But this enthusiasm, being void or threatening to be void of wisdom, verges downwards towards mere ambition. The sharp touch of facts and the shrewdness of events have robbed the Labour Party, in some measure at least, of its mission, and replaced confidence with doubt; while those anticipatory derangements and excitements which the Labour Party falsely imagines to be "tactics" cannot do duty for substantial policy, without which a party may perhaps exist and be large but cannot perform great work. Thus the Labour Party, strong in members, is weak in all else. It resembles, indeed, a house not wholly unswept or ungarnished, and a commodious house, too. But no great or good spirit has as yet entered in, nor, as yet, any very evil one either. Not that all is well within the house. The mass that follows claims to lead its leaders, who repine without resisting. Just as the body refuses obedience to the head, so within the head itself the elements are not at one; and from ill-obeying and ill-leading little good can come. This is known to the leaders and to the mass. Ill at ease, they experiment with new forms of organisation and re-shuffles of dignities. But their trouble lies too deep for that mode of cure. In a new country standing on the threshold of history, with all its politics to make, the Labour Party might suffice, for a time at least. In this old country the newness of the Labour Party is only the cause of disarray. It is too late by centuries for any to practise again the priestcraft of class in England. The Labour Party thinks itself the child of the present, or—if that be possible—of the future, but owes everything to the past. If this debt be properly acknowledged and paid, the Labour Party may make the future its debtor, but not otherwise.

THE ENGINEERING ENQUIRY.

THE recent enquiry into the nature and causes of the lock-out in the engineering industry served a double purpose. Firstly, it served as a test of the machinery of conciliation and arbitration set up under the Industrial Courts Act of 1919, and, secondly, it enabled the general public to appreciate the attitude of the disputants in the case under consideration. These two aspects of the enquiry are closely related.

Before the war there were certain definite principles which were commonly accepted in the industrial world. It was recognised that there were two classes of differences between employers and workpeople, one referring to the application of general agreements—explicit or implied—to local or special cases, the other being concerned with new principles. It was agreed that while in the last resort disputes falling into the first class could be settled by arbitration, there appeared to be no such remedy in the case of those falling into the second class. This distinction has fallen into the background in recent years, on account of the abnormal conditions due to the war and its aftermath. Between 1915 and 1919 these abnormal conditions dominated industry, and nearly all disputes were automatically referred to and settled by an arbitration tribunal. Afterwards, new and grave issues were raised in a number of important industries, and these were referred to *ad hoc* bodies such as the Coal Industry Commission and the Dockers' Committee. It was in this 'atmosphere' that the Industrial Courts Act was passed, providing for a Committee of Enquiry, when necessary or desirable, and a Court of Arbitration.

The Enquiry into the Engineering dispute was, we believe, the first to be established under the new Act. That the 'Committee' consisted of one member only was no mere accident. It revealed the weakness of the Act itself. The dispute represented a fundamental conflict of view, a difference of principle; the issues were clear cut. It was probably for this reason that the engineering employers deprecated an official enquiry. The facts were already well known to both sides; there was nothing further to be elicited by an official enquiry, which could thus secure nothing beyond adequate publicity, unless, indeed, the committee were prepared to

pronounce upon principles of industrial control and management—which, it will be seen, Sir William Mackenzie actually ventured to do.

Evidently the Ministry of Labour was aware of this difficulty, and we suspect that it decided to appoint one leading conciliator rather than a group of people in the hope that he would succeed, not so much in establishing the facts and pronouncing judgment upon them as, in acting as a mediator and in inducing the two sides to arrive at an agreement representing some sort of compromise. From internal evidence in the report itself we gather that such an attempt was made, but ended in failure. We fear, moreover, that the work of Sir William Mackenzie, when acting as Committee of Enquiry, was hardly more successful. It was not mainly his fault. Such a Committee, if it is to act at all, should never consist of a single individual, however experienced or able he may be. He can do no more than give his individual views on industrial control or any other question of principle which may be raised. These can carry no more weight than the individual views of hundreds of equally experienced and able men and women in the community. Hence, we fear that he has done practically nothing to achieve a final solution, and that the subsequent attitude of the trade unions has not been in the slightest degree influenced by his report, but has been dictated by economic necessity.

There is much sound sense in the report. Everyone will agree with Sir William Mackenzie when he says that the matter in dispute "is one in which no agreement, however carefully devised, can wholly take the place of good sense and goodwill between the parties, and an appreciation by either side of the difficulties and point of view of the other." He further endorses the view which we expressed last month, when he says that "improvements and inventions may remove the need for skill in some particular operation; but they do not remove the need for skilled men; they merely change the process or the work in which he is required to apply his skill. The need, therefore, is to effect this change as easily and rapidly as possible, so that skill acquired by apprenticeship and other means may yield its full return, and instead of being forgotten and lost may develop in versatility and usefulness."

Taking the report as a whole, however, its author seems to have begged the main question at issue. In Clauses I and II of the Memorandum of 17th and 18th November,

1921, it is agreed that "The Trade Union shall not interfere with the right of the employers to exercise managerial functions in their establishments, and the Federations shall not interfere with the proper functions of the Trade Union"; and that "in the exercise of these functions" regard shall be had to existing agreements, national and local, between the parties. Since these points are "not in any sense the subject of difference or dispute" Sir William states that "it is unnecessary, therefore, to consider what are and what are not 'managerial functions' and 'proper functions of the trade union'" (par. 33). But surely, that is exactly the point at issue! It is precisely when the two parties attempted to apply the general principle to particular cases that they found themselves in conflict. In other words, the breakdown occurred when the people concerned endeavoured to give a precise definition to 'managerial functions' and 'proper functions.'

What is the case of the employers? They contend, says Sir William, that "there must be freedom to the management to introduce such changes into the works as may be necessary for the proper development of the industry," and that any dispute relating to such changes should be dealt with under existing agreements, except that changes in "such matters as wages and hours, which are determined on a national basis" are excluded. What is the case of the men? In its simplest terms it is merely that there are local and shop customs and regulations which are of the nature of implied agreements, and should thus be excluded in the same way as written agreements, so that if the employer wishes to depart from any one of them he must first either secure an agreement with his men or prove the need for departure before the tribunal set up in existing arrangements for dealing with disputes. The workers would not be influenced in the least by Sir William's view that the employer is the competent person to decide the question of urgency. The customs under consideration are old established; and if the employer wishes to depart from any of them it can only be after long and earnest deliberation. A few weeks would make very little difference.

We feel that Sir William Mackenzie's report places the trade unions in a very awkward position.

If adopted it would mean that, in the last resort, the Central Executive of the A.E.U. would be compelled either to endorse or to condemn a shop or district custom. It would mean, for

example, that the national executive would be called upon to say whether or not piece work should be worked at the establishment of X, whose workpeople have strenuously opposed it in the past, for X would now merely need to refer the matter, under existing agreements for avoiding disputes, to the district, and finally the national, joint committee. If the Central Executive of the A.E.U. replied "we do not object in principle to piece work, but we shall certainly not compel our members at X to adopt it against their will," how would Sir William Mackenzie deal with the situation? Yet this has been the attitude of the A.E.U. in the past. If it is now to be asked to impose its will at every point of the compass what is to become of the movement towards decentralisation of control?

Here we are faced with one of the greatest difficulties in the engineering industry, and one which the recommendations of the report would intensify rather than reduce. Speaking generally Sir William, in dealing with procedure, was actually involved in vital questions of principle (apparently without being aware of the fact), and with precisely those questions which, in words already quoted (par. 33) he regarded as settled.

We think it important to stress this part of the report in spite of the fact that we agree with Sir William and the employers in regard to the necessity for abandoning restrictive customs and conserving skill and energy. The latter is necessary in the interests of progress. But it can only be done by educating the rank and file to the requirements of industry, and by achieving the necessary changes by consent. If they are forced upon the workers against their will they will fail in their object. And if the consent of the workers is to be gained, it will be necessary to educate them, not merely by words, but by the establishment of schemes which will give greater security of employment to those skilled workers who may be temporarily displaced by the introduction of new methods, and greater security against rate cutting and other evils which, in some cases, attend systems of payment by results.



THE FACTS OF THE CASE IN DIAGRAM, XXVI.

IF all industrial companies made it a rule to publish an annual statement giving the financial results of the year's trading in a form which, besides being readily accessible to the workers, was also so clearly set out that the figures could be interpreted without ambiguity by people of average intelligence who do not possess any expert knowledge of accountancy, we should have progressed a long way on the road towards the attainment of industrial peace.

Of the many causes that contribute towards unrest in the workshop, undoubtedly the most prolific is the suspicion that the reward of capital, as compared with the reward of labour, is relatively disproportionate and absolutely excessive. Balance Sheets and Profit and Loss Accounts are drawn up by business men on conventional lines, and are calculated to convey only the particular kind of information which is required by the auditors and the shareholders of the company. To the uninitiated such accounts are but a mass of meaningless figures, whilst to the suspicious they come to be regarded as a device for screening the true state of affairs from public scrutiny. Nor is this attitude of mind altogether surprising. Given the article of faith, so sedulously planted and cultivated, that workers are exploited by capitalists, it is inevitable that any apparent obscurity in the accounts should be attributed to the scheming of artful manipulators. Thus, in the opinion of the critics, is deception added to brigandage.

It is sufficiently obvious that it is to the advantage of employers that these misconceptions and suspicions should be removed, and although the need for enlightenment on this subject is not perhaps recognised by the majority of the workers as being a matter of prime importance, nevertheless their cause is bound to suffer if, as the saying goes, they waste much of their energy in "barking up the wrong tree." In attack, as well as in defence, accurate information is the arbiter of success, for only on the basis of ascertained facts can sound strategical dispositions be formulated.

There exists, however, a certain measure of reluctance on the part of employers to break with tradition to the extent of volunteering to publish their accounts in an unusual form for the particular edification of their employees. This is not due

to any desire for concealment on their part, but the habit of following a standardised version has become second nature, and the wisdom of making a change has not so far been generally appreciated.

As our readers are aware, we have paid frequent attention to the question of the distribution of the industrial product and the present article should be read in conjunction with previous articles of the series, especially those which appeared in *Industrial Peace* of December 1920 and April 1922. In diagram No. 16 we examined the relationship between wages, salaries, depreciation, rates, rents, royalties, interest and profits as disclosed by the Wage Census (1906) and by the Census of Production (1907); whilst in diagram No. 45 we showed how the combined proceeds of the manufacturing, mining, railroad and public utility services, in the United States during the year 1917, were apportioned between wages, salaries, taxes, interest, dividends and development.

In diagram No. 47 which we print this month we are able to take a further step, to advance from the general to the particular, and to give a concrete example (drawn from the records of a British firm of engineering manufacturers) of the manner in which the actual proceeds of their industry during the year 1921 was distributed.

The firm in question, being alive to the importance of taking their employees into their confidence, have departed from the traditional custom of communicating the result of the year's working exclusively to the shareholders of the company and have sent copies of this statement to all the workpeople they employ. This, in our opinion, is a notable step in the right direction and one which we hope will be extensively followed by other firms. The significance of a single example of this sort is considerable, but the value of an extended series of such reports would be accumulative—and convincing even to the sceptical and the censorious.

The diagram speaks for itself and requires little explanation. The following points may, however, be noted. The results, as tabulated, show the true proportion between the capital owned by the Company and the disposal of the annual product which is the fruit of the joint services of this Capital, of the firm's Management and of the Labour employed. Each small square of colour represents a common unit and is drawn strictly to the same scale. It will be seen that the lower block, representing capital, consists of 1,313 squares, and the upper block,



representing the year's product, contains 992 squares. The annual product is therefore within twenty-five per cent. of the total amount of the capital employed, that is to say, if the capital could be turned into cash and distributed in wages, salaries and dividends in the same proportion as at present, the gross sum so realised would vanish, for good and all, in less than two years.

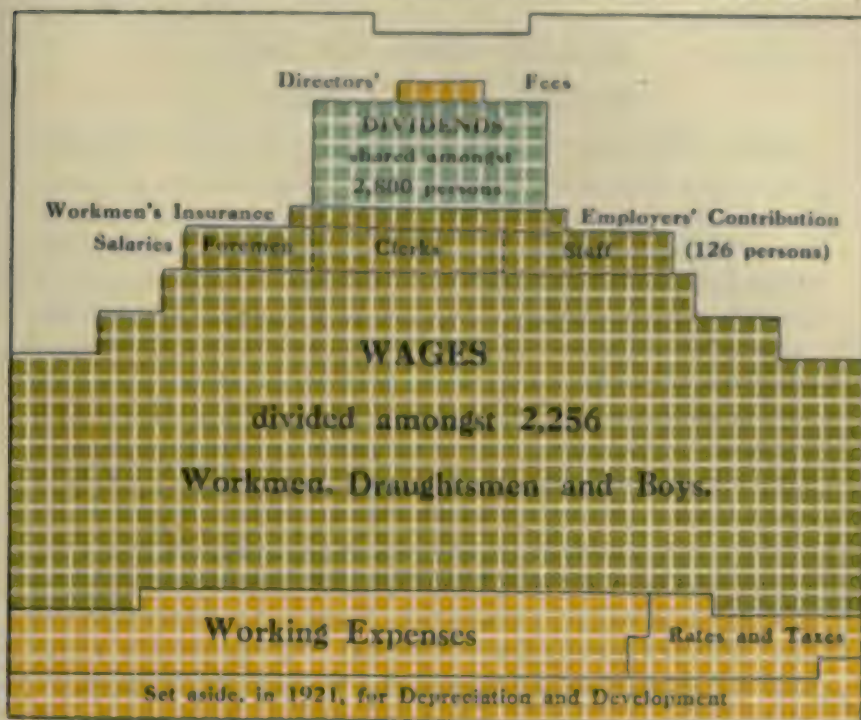
Attention may also be called to the fact that in the year under review the dividends paid to shareholders amounted to approximately one-twelfth of the sums distributed in wages and salaries, and to about one-eighteenth of the total product. If income-tax had been deducted the block representing dividends would be reduced from 55 to 39 squares.

In this connexion it should be pointed out that whilst interest at the rate of five per cent. was paid on the ordinary shares for the year ending December 1921, no distribution of profits was possible to the holders of ordinary shares in the year 1920. It will be seen, therefore, that the result of the trade depression through which the country has been passing inflicts losses, not only on wage-earners, but also upon investors in public companies.

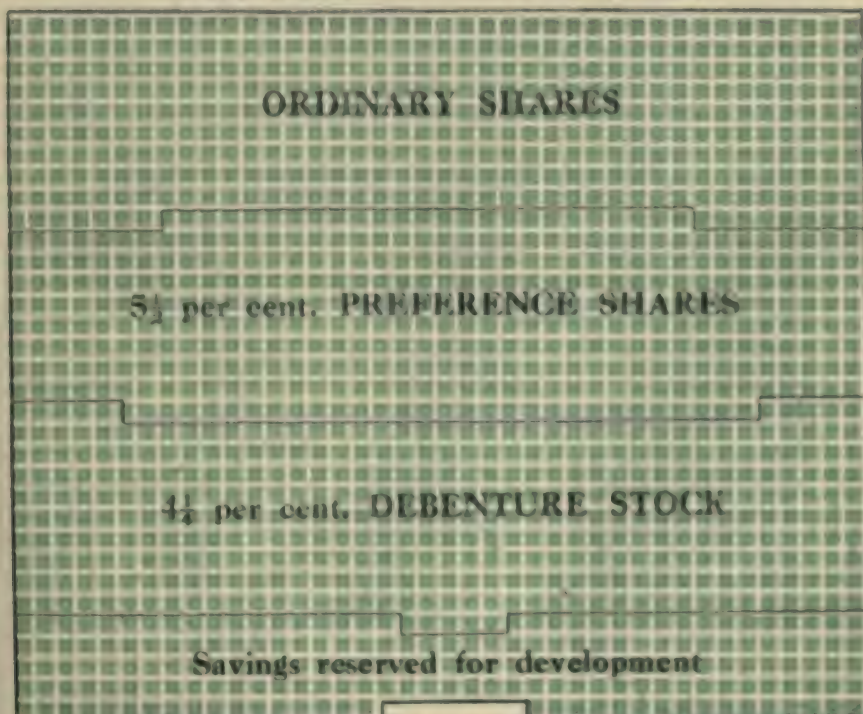
The block labelled "working expenses" in the diagram covers cost of power and lighting, repairs, expenditure on sundry materials not chargeable to jobs, foreign agents' salaries and commission, advertising, etc.

Finally it will be observed that something over eight per cent. of the annual product is set aside for depreciation and development. This reserve is of great importance to workers as well as to shareholders. Machines wear out and need replacing, and unless every opportunity for development is taken advantage of, the fund out of which wages, salaries, dividends and all other services are paid would gradually decrease, to the ultimate disaster of all concerned.

DIVISION OF THE FIRM'S PRODUCT FOR 1921.



AMOUNT OF CAPITAL INVESTED IN THE
BUSINESS. (Subscribed by 2,800 persons).



Scale: In both blocks each square of colour represents £800.

TRADE AND FINANCE.

Reparations and Inflation, I.

THERE is evidence, at last, that the reparations problem will be dealt with in a sensible fashion. The politicians of Europe are discovering that they cannot ignore fundamental economic considerations. It is, we believe, literally true to say that the German *nation* has not yet shouldered any of the burden of indemnity payments. The German Government has handed over to her creditors claims to foreign currencies, and delivered supplies of commodities, such as coal, in accordance with treaty obligations. But, in the last resort, payment can only be made by exporting money or goods in excess of imports. The total German imports, since the Armistice, appear to be considerably greater in value than exports. The German Government secured possession of foreign currencies by printing marks and using them in two ways. The first was to purchase claims on foreigners possessed by German exporters who had sent goods abroad; the second was to 'export' the marks and sell them to any foreigners who would purchase them.

Important causes of the fall in the external value of the Mark.

The connexion between reparations and inflation now becomes clear. In the first case inflation was immediate and direct, and resembled that type of inflation experienced in this country when the Treasury secured advances on Ways and Means account. In the second case inflation was more indirect, but equally effective in the long run. Shortly after the Armistice a large number of investors, particularly in America, purchased marks and held them as an investment; but, when it became evident that the value of the mark was not likely to improve, they cut their losses and joined the throng who were seeking to realise their holdings of the depreciating currency. Moreover, those German importers of goods, who might have secured means of paying their foreign customers by purchasing the claims held by German exporters, found that the Government was competing for such claims in the way already described, and were compelled to pay in paper marks. For these reasons, i.e., the adverse trade balance and the payment of reparations instalments, the external value of the mark fell almost without interruption,

and at times very precipitously. The fall was intensified by the 'flight from the mark,' that is, by the export of capital by Germans who sought security by investing their wealth abroad.

Reaction of the external upon the internal value of the Mark.

The steady fall in the external value of the mark reacted upon the internal value by compelling further internal inflation. In the first place, the German importers were obliged to find larger sums, in marks, to pay for goods quoted in dollars, pounds and other currencies, and thus required a greater amount of credit from their banks to finance a given volume of business. The imports consisted mainly of raw materials and foodstuffs, prices steadily rose, and wages followed in due course. Thus all business ultimately needed more credit, and the output of marks from the printing press steadily increased. In the second place, the steady rise in prices and wages in the sphere of private industry affected the cost of providing public services, such as education and transport. But the fees and prices of such services cannot be so quickly adjusted to the costs as in private commerce, and losses were inevitable. Hence the need for subsidies which is bound to continue so long as the currency is being steadily inflated. Nor can such subsidies be found from taxation, the proceeds of which usually—indeed almost inevitably—fall short of expenditure, for the tax is based upon the income earned at an earlier period. The deficit is thus met by the further issue of marks, and the inflation process is intensified.

The pre-requisite of currency control: an international loan.

The internal inflation due to these causes reduces the parity value of the mark, which is the standard from which external depreciation is measured, and so reacts upon its external value. The mark is caught in a vicious circle. Under such conditions it is futile to dictate to the Germans a policy of currency control without at the same time providing them with the pre-requisite of control, namely, a loan to enable their government to meet outstanding claims presented by foreigners who hold marks. Without referring specifically to German conditions, the Financial Commission at Genoa emphasised the importance of this truth; and the sign that Europe is learning financial wisdom is found in the proposal

that the Central Banks of different countries should confer and devise means of creating a loan for the purpose of paying the indemnity to France. When coupled with that proposal the attempt by the Reparations Commission to compel Germany to abandon the policy of inflation is reasonable and just.

How the loan would enable Germany to make reparation.

If the double proposal of currency control and the granting of Reparations loans is accepted and comes into operation, it should achieve important results. One is that the public will be able to make a far more reasonable estimate of Germany's capacity to pay than has hitherto been possible. Less than four years ago it was commonly supposed that Germany could and should be compelled to pay to the victors a considerable part of the cost of the war. To-day, as a result of the serious disorganisation of her finances, there is a widespread belief that she cannot reasonably be expected to pay much, if any, indemnity. So profound has the psychological effect been that efforts have been made to combat it by the publication of articles which aim at showing that Germany is in a highly prosperous condition. The pendulum has swung to the other extreme. There is no doubt that it is within the capacity of Germany to pay a considerable sum annually, provided she be given time to mobilise her resources and an opportunity of making payment in the only form which is economically sound. Economic forces cannot be subordinated to political desires.

Effect on the currencies of Europe and America.

The second result would be a re-adjustment in the relative values of the currencies of the chief states of Europe and America. Clearly, the value of the franc would be enhanced by the fact that the loan would be paid to France, who would thus enter into possession of claims upon those countries of the world which contributed to the loan. Equally clearly, the value of the mark would be raised in terms of sterling and dollars by the fact that the danger of any further export of paper marks would be reduced, and those at present holding marks and trying to sell them on the money market would be inclined to keep them as investments, anticipating an improvement in their value in the future. Such anticipation would itself quicken the restoration of the mark to a point approx-

imating to its internal value. To what extent the currencies of other countries would change relatively to each other would depend upon the extent of their contribution to the loan and upon the manner in which the loan reacted upon the distribution of the new trade resulting from it,—for it should not be forgotten that the granting of a money loan would be but the precursor of trade in goods.

A stimulus to French industrial prosperity.

The French Government needs the money in the first place to reduce the burden of taxation by paying off the internal loan floated for the purpose of meeting the expenditure incurred in repairing the devastated areas. Nevertheless, the effect of the money contribution to France would be to enable the French people to make extensive purchases abroad. It may thus be confidently asserted that the international loan would mean a tremendous stimulus to trade outside of Germany. There is no such thing as a loan or a monetary transaction which is not accompanied by an exchange of services. The net effect of lending money to a country is to send goods to that country or elsewhere. When we invested money in Argentine railways it was employed by the railway company to pay for engines, rails, etc., provided by our manufacturers. When America lent us money during the war it was to pay for munitions and other commodities sent over by their manufacturers. When, after the Armistice, Americans accepted marks and held them as investments, it was in return for raw materials and food stuffs which Germany had imported from the New World. Similarly, if Americans, ourselves and other countries in a position to assist, combine to lend money to Germany, the matter will not end there. We shall really be assisting either France or, possibly, Germany, or both by sending goods of various kinds which are urgently needed. If it is found that the goods actually go to Germany rather than to France, then it will be on account of the fact that the Germans have been sending large quantities of goods to France.

(To be concluded).



THE INDUSTRIAL DIFFICULTIES OF ITALY, IV.

THE enormous efforts and sacrifices made by Italy during the war have undoubtedly weakened her economically. Nevertheless, the basic foundations of Italian national economy are sound and firm and the country is gradually preparing for a revival of fruitful activity which will enable her to recover in a comparatively short time from the losses caused by the war, and will fit her for that economic position which the indomitable energy of the Italian people cannot fail to secure.

Even a brief examination of the difficulties which face industrial Italy at this decisive moment of her reconstruction cannot fail to accentuate the fact that the whole question is, more than ever, inextricably bound up with world economics. Captains of industry in Italy have fully recognised this and have kept a careful watch upon all international problems which directly affect production.

Before the war every nation was both producer and consumer, sending to other countries its surplus production and receiving in exchange the raw materials, products and food-stuffs which it required. The war and post-war conditions have interrupted this mutual interchange of goods which linked up the civilised world, and to-day four hundred millions in Europe, Asia and Africa are debarred from that free economic intercourse. There are countries which have need of industrial and agricultural products but they cannot obtain them because they cannot pay for them either with gold or with home products.

The Cannes Conference did the spade work in regard to this problem, for the further solution of which the Genoa Conference was called, and its work for the economic reconstruction of the world was watched with intense interest by industrial Italy. But all the international conferences and agreements made since the war have not yet given to Italy the conditions which would open up for her the road to her own steady advance towards reconstruction.

International politics no longer rest solely upon a territorial basis, but have a foundation and function which are essentially economic and their importance to industry cannot, therefore, be over-emphasised. The fact that at the international assemblies an increasing number of experts and technical advisers are called in, whilst to the diplomatists is reserved rather the formal part than the practical, clearly shows the new spirit which has animated international politics since the war.

Keenly alive to this new spirit, Italian industry endeavours to make its relations with foreign countries very stable and precise for, lacking these, it is useless to talk of exportation, of international trade, of foreign supplies of raw materials, or of stabilised exchanges. It is imperative that Italian foreign policy should be inspired by an exact understanding of the economic aspirations of the country, and, at the present moment, when the international foundations upon which each nation seeks to rebuild its economic life are being reconstructed and consolidated, this need becomes increasingly important. Italy is not striving after political predominance in any other country, therefore it should not be difficult to resolve the present situation of her industry in relation to the needs and possibilities of the international markets. She undoubtedly needs to stand in better relation to those countries which possess the principal raw materials.

The road leading to the world's rehabilitation is a long one, and the Genoa Conference represents but the first day's march. In her new national economic policy England points the wisest course for bringing back her own industry to full activity and for putting an end to unemployment. France still seeks the means of reconstructing her internal economy, and of resuming her foreign trade on a large scale, in the possible re-payment of reparations and in her policy of *rapprochement* with the oriental nations. Germany, and even Bolshevik Russia, are feeling more and more acutely the need of escape from their industrial and economic isolation.

If, on the one hand, the international policy of Italy must be formed on the conception that she is a country poor in capital and raw materials, on the other hand it must be borne in mind that the greatest hindrances to her powers of production and her economic prosperity will, in the future, be not so much in the lack of these two essentials as in the lack of a sufficient penetration into and preparation for those markets which are, and will be, the most natural ones for the absorption of her manual and her intellectual energy.

In conclusion, the industrialists of Italy cannot be dissociated from the foreign policy of their government at this moment; and, in fact, they do not dissociate themselves. The life-streams of the country, and labour above all, must have means of co-operating and collaborating in the decisions that will decide the future of Italy for the next decade, the decisions that will exercise a potent influence upon the development of her industrial production.

E. CIMINO-BONAFEDE.

(Concluded.)

FOOD FOR THOUGHT.

AMONGST much that is obscure in the industrial situation, one fact stands out definitely clear and is that the nation is handling its labour problems with indifferent skill and with a lamentable deficiency of foresight. Good intentions abound, ample machinery and conciliation is available and there is no lack of counsellors who, armed with their pet panaceas, are ready to tell us how things should be better managed, but nothing substantial or permanent in the way of general improvement eventuates. Somehow or other, in spite of laborious and well-meant effort, we miss the high road of progress and come back by a circuitous path to where we started. Sometimes we seem to catch a glimpse, in distant prospect, of our goal but soon the mists of uncertainty are again encountered, and we are driven to choose between the conclusions either that our map is faulty, or that we have misread its indications. We become experienced, but only in disappointment, and losing confidence in our ability to find our way by intelligent perseverance, we are tempted to leave things to chance and to hope that our rations will hold out until some stroke of luck befriends us.



The engineering dispute is a case in point. Every avenue that looked promising has been explored but each has ended in a *cul-de-sac*. Nothing that will serve as a sure guide for the future has been discovered during weeks of endeavour and we have no sort of guarantee that the whole dreary process will not have to be repeated. Work will be resumed and the wheels of industry will revolve once more, but not with any gain in smoothness, not with any increased hope of continuity, not on any higher plane of development. Definite loss there has been, leeway will have to be made up, but as long as our energies are absorbed in repairing past errors and in scheming to dodge inevitable relapses there can be nothing in the nature of progress.



If we are so short-sighted as to reckon progress in terms of conflict and to congratulate ourselves because this side or that has gained a strategic advantage or suffered a tactical reverse, our case is indeed hopeless, for never can any permanently good thing arrive by that road. When partners, whose

interests are mutual and insoluble, fall out, they cannot live on loggerheads however great a pile of that useless commodity may have accumulated in the course of the dispute. Before another fair start can be made the first thing is to get rid of such lumber. "The people of the world," as Mr. Stanley Baldwin has said, "are to-day learning elementary economics at an awful cost." But mankind exists upon what it produces every year and can live upon nothing else. Invaluable, therefore, as education is, we can no more afford to knock off work for educational purposes than we can spare ourselves a holiday for the diversity of fighting. This is the fatal aspect of strikes and lock-outs: that the position is worsened every day that elapses before the final settlement is reached and then we have to start again on a lower plane, that is to say, with a depleted larder and consequently with a more remote chance of improving the national standards of living and comfort; for we have been eating whilst we were quarrelling and consuming our substance whilst learning economics in the wrong way. The narrow view that salvation depends on sectional triumphs, and which ignores these primary considerations is ultimately responsible for more than half our ills.



The one thing of which we as a nation stand most urgently in need is recognition of the fact that the very existence of a feud between Capital and Labour is in itself an intolerable incubus, an impossible handicap. This aspect, the only one that really matters, was sufficiently emphasised in "National Prosperity and Industrial Peace," which appeared in *The Round Table* last September. Referring to the feud the writer said, "It is a principal cause of the instability and insecurity which prevents development and enterprise. It is a principal cause why other countries are able to undersell our products in both home and foreign markets. It is all the more harmful because while co-operation on proper terms will bring prosperity, not only to both parties but to the community, the present dog-fight is not only ruining both parties to the quarrel, but the community as well." Therefore we repeat what we have said before, that it is all important that the protagonists on both sides, men who have been in the thick of the fight and are known as sectional champions should stand down and leave the field to the peacemakers. A fresh start is imperative and this we shall never get whilst the old combatants and the old war-cries persist.

"The reason why Employers and Employed are not at war to-day lies in a consciousness, which runs underneath all the platform utterances of men, even when speaking to a narrow, class-prejudiced audience on one side or the other, that there is only one way out of the industrial slough of despond all are suffering from—and that is by combination of the 'Capitalist' and the 'Labourite.' " (*The Weapon of the Strike*).



Writing from his personal knowledge of the motives at work in the minds of those chiefly responsible for the new "General Council of Labour" and of those engaged in federating more closely the associations of employers, Mr. Paterson stresses the general desire of all these people to "substitute co-operation for strife, and mutual confidence for antagonism; when we find that the conviction is growing on either hand that the root of the industrial war in the past was lack of understanding and true appreciation of economic facts, and of a human understanding of the other fellow's point of view among the leaders on both sides—we are encouraged to believe that the problem is soluble and that fusion may be in sight."



DAY BY DAY.

(A monthly Record of the principal events which have a direct bearing upon the maintenance, or otherwise, of peace in industry).

May The Ministry of Labour index figure was about 81 per cent.
1st. above that of July, 1914.

Changes in rates of wages during April showed a reduction of about £700,000 weekly in the total full-time wages of about 3,200,000 workpeople.

Ninety-six trade disputes involved the loss of about 5,800,000 working days during April, and caused about 270,000 people to be unemployed. The principal disputes were in the engineering and shipbuilding trades which accounted for nearly a quarter of a million workers.

Unemployment declined slightly in trades not directly affected by the disputes, notably coal mining and the textile industries. Among trade-unionists the percentage rose to 17.0, and among workers in insured trades it decreased slightly to 14.4. The Employment Exchanges registered 1,699,000 as unemployed at April 24th and 189,000 as working short time.

3rd. Engineering dispute. Sir William Mackenzie opened his enquiry into the causes and circumstances of the dispute about managerial rights. The enquiry was open to members of the Press. The dispute arose over the employers' memorandum of last November, which was rejected on a ballot vote by the A.E.U. and has resulted in the lock-out of about 800,000 men. Sir Allan Smith, stating the employers' case, showed that the dispute originally arose over the interpretation of the expression "necessary overtime" in the agreement of September, 1920. The A.E.U., he stated, endeavoured to make a new agreement avoiding the liabilities which had been recognised since 1898, when overtime was limited to 40 hours a month. The ballot vote rejecting the employers' memorandum amounted to a refusal to accept overtime work except after consultation and to a denial of the rights of employers to exercise managerial functions in their shops. Mr. Brownlie gave evidence for the men. He mentioned that at the beginning of the dispute the union had offered to have the matter referred to a neutral authority for interpretation, but the employers had refused. He stated that overtime was abused and that employers used it instead of reorganising their shops and utilising modern methods to the full. In April, 1921, they were first informed that they must remove the embargo on overtime and accept the employers' interpretation of "necessary overtime" or be locked out. Since then the employers had shifted the issue

- 11th. Engineering dispute : Sir William Mackenzie laid his report before the House of Commons. The report did little more than summarise the points already brought out by the previous conferences, viz, that good sense and good will and an appreciation of each other's difficulties are needed more than anything else ; that overtime, within the 30-hour limit laid down, must be at the discretion of the management ; that all changes should be mutually discussed beforehand where possible, and that in cases where delay would mean loss, mutual agreement should be arrived at after the change had been effected and should be retrospective in its application. Sir William Mackenzie drew attention to the expanding demand for skilled engineers and indicated that part of the solution of the present problem would be found in machinery for finding skilled employment for men set free by the subdivision of their work into semi-skilled or unskilled jobs.
- 12th. In the House of Commons, Mr. T. Griffiths (Labour) moved the second reading of the Prevention of Unemployment Bill. A motion for rejection was carried by 172 votes against 82.
- 15th. Boot and Shoe operatives in Leicester came out on strike against a reduction of 2s. a week in wages. The reduction is in accordance with the national agreement for the industry. Cotton trade dispute : The Federation of Master Cotton Spinners have decided to lock out all members of the Operative Spinners' Federation, if the strikes at the two mills in Oldham are not terminated.
- 16th. Lock-out notices to take effect on May 27 were served in some of the cotton mills. It is proposed to hold a conference of masters and unions on Friday the 18th. Engineering dispute : The Employers' Federation met a joint committee of all the engineering unions. The meeting was adjourned for the employers to submit new proposals to the unions.
- 17th. The unions spent the day in considering the new proposals based on Sir William Mackenzie's report. It is understood that these contained new arrangements for giving opportunity for prior consultation in respect of contemplated changes in the workshop. They were apparently favourably considered by the unions, but it is expected that negotiations will last several days.
- 18th. After consideration and joint discussion of the new terms offered by the employers as a basis of negotiation, the A.E.U. executive intimated that as these in their opinion, still contained the principles precisely rejected by ballot vote, they could not further consider them. The employers have inserted now a clause providing for prior consultation but this, it

appears, applies only to actual displacement of men. The A.E.U. claims the right of prior consultation in respect of any changes in workshop conditions and practices. This attitude entirely ignores the findings of the Court of Inquiry.

19th. Cotton trade dispute: The threatened stoppage in Lancashire was averted by a compromise. The workers on strike agreed to return and accept the terms of payment now in force and the employers agreed that joint committees should be formed to consider necessary alterations.

23rd. Engineers' dispute: The executives of the unions other than the A.E.U. met under the Presidency of Mr John Hill, and, after five hours' discussion, decided to submit the provisional agreement signed by the negotiating committee on Saturday to ballot vote. The A.E.U. will to-morrow meet the employers and submit counter-proposals for a settlement.

Cardiff dry dock workers have agreed that wages be stabilised for twelve months at a base rate of 65s. per 47-hour week for skilled men, and 49s. for unskilled. The reductions, totalling 17s. 6d., will be spread over the next four months.

24th. Engineers' dispute: The conference between the employers and the A.E.U. broke down. The employers declared themselves unable to accept the A.E.U. proposals, but offered to meet them again to discuss any new view.

25th. Very considerable divergence of view continues to separate the A.E.U. from the employers. The A.E.U. executive ask for 14 days notice of any contemplated change in working conditions, and that agreement should always precede any change. Also that there should be no overtime if it is possible to employ other labour. The employers refuse these conditions and, it is stated, have further complicated the situation by notifying that they claim the right to introduce systems of payment by results in establishments where they have not previously been in force.

The Industrial League and Council propose that representative employers and trade unionists should unite to formulate the policy of an industrial entente.

26th. The A.E.U. have decided to call a national conference of delegates at York, on June 2nd, to determine future policy. On the same day the forty-seven other unions will ballot for or against acceptance of the employers' modified terms.

31st. The National Executive of the A.E.U. removed from office twelve members of the Sheffield Committee. These men claimed to represent the opinion of the thirty-five Sheffield branches and, in spite of warnings from the executive, have repeatedly drawn men out on strike unnecessarily. This action will prevent Sheffield from being represented at the York meeting on June 1st.

ECONOMICS STUDY SCHEME, II.

Study Scheme Questions, Set No. 3 (Final).

(ANSWERS to these questions must reach the Secretary, 20 Magdalen Street, Oxford, not later than August 15. The instructions published with Set No. 1 must again be observed in answering Set No. 3.)

Question 1. If you were obliged to live under the tyranny of either one man or a million men which would you choose? Give reasons for your answer.

Question 2. State what you mean by Democracy. To what extent does the British Parliament carry out your ideal of democratic government.

Question 3. Consider the various arguments in favour of luxury. Do you think that it can be justified on Economic or other grounds?

Question 4. Discuss the statement that it is impossible to combine Economic freedom with Economic security.



Last month we published notes on the correct method of dealing with questions 1 and 2 in the first series. Questions 3 and 4 are similarly dealt with below. Next month Prof. J. H. Jones will discuss the four questions in Set No. 2.

Question 3:—"Value depends on demand and supply." Discuss the adequacy of this statement and show how demand and supply respectively influence value.

The statement that value depends on demand and supply is frequently made by John Stuart Mill, and is to be found also in the writings of many economists before and after him. It is one of those vague statements which, though lacking in scientific precision, are not sufficiently inaccurate to be actually denied. Taking the value of a thing to mean the amount of some other thing or things which can be obtained in exchange for it, we have at once the idea that there must be in each of the articles exchanged some power to satisfy the want of the person who is willing to make some sacrifice to

obtain it, and it is evident that each such exchange also implies the demand for and the supply of the article in question, and, at any rate, we may say that value depends on the existence of both a demand and a supply. At this point it would be well to show that value is relative and not intrinsic, and that demand and supply when used economically mean the demand for and the supply of a definite quantity at a definite price.

Having stated that value depends on demand and supply, Mill proceeds to argue that commodities as a whole tend to exchange for one another in proportion to their cost of production, and in this way, lays all the stress on the conditions of supply. The writers of the next generation took the opposite point of view and, laying all the stress on demand, contended that value was determined by final or marginal utility. More recent writers, such as Marshall, show that in the determination of value, the forces behind demand and supply interact on one another through the medium of price changes till a point of equilibrium is reached at which the amount demanded at that price exactly carries off the amount that will be supplied at that price. At least one example should be given showing how, when demand is increased, owing to increased purchasing power or any other cause, without any increase of supply, the tendency is for the price to be raised, or, on the other hand, an increase of supply due perhaps to improved methods of production or to the extension of the industry without any alteration in the conditions of demand, would probably lead to a fall in prices. At any given time a demand schedule and a supply schedule could be prepared, which could be represented graphically by two intersecting curves, the point of intersection indicating the equilibrium price.

Question 4:—Indicate the main features in the so-called "problem of distribution." Examine the objections which are sometimes raised to the present system of distribution.

In taking up this question, it would be well to begin with a short explanation of the part distribution plays in the economic process, and, in connexion with this, great stress should be laid on two things:—

(1) The organisation of industrial effort in larger or smaller groups of workers.

(2) The fact that what all are contributing to the joint economic effort is service, and that it is the rendering of

service which constitutes the claim to a share in the distribution. The "problem" is how to determine what each shall get for the service rendered, and the solution proposed by some would be socialistic in character, and by others, individualistic. The former tend to emphasize the claim of all, as members of a community, to a share of the net product, based more on needs than on contribution. The latter would make the share in distribution proportionate to the value of the service rendered, such value being largely determined by the social demand for and supply of the particular form and quality of service. The present system of distribution is individualistic and the problem of individualistic distribution is how far the remuneration is merely a measure of the service rendered and how far, even if economically exact according to the operation of supply and demand, it is ethically just or socially desirable.

To the individualistic system it may be objected that the advantages are all with the strong and that the relative disadvantages of those less well equipped tend to increase rather than to diminish, that the market value of a service is no real measure of its social importance, that exceptional qualities of mind or body often secure a remuneration disproportionately large, that the individualistic system tends to establish a permanently employed class, whose only interest in their work is the wage that it brings.

These and other objections should be carefully examined and some attempt made to estimate the economic effects of a socialistic régime.

§§§

No. LIX
JULY
MCMXXII

"Treat men as men and all else will be added to you."

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INDUSTRIAL PEACE

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INDUSTRIAL PEACE

PROBLEMS OF THE FUTURE.

"DURING the last hundred and fifty years, the rate of progress in man's command over nature has been ten times as fast as in the period between Cæsar and Napoleon, a hundred times as fast as in the slow pre-historic ages. Tens of thousands of years divided man's first use of fire from his first application of it to iron. Even in the civilised era, when literature, science and philosophy were given us by Greece, the art of writing preceded the printing-press by tens of centuries. In those days each great invention was granted a lease of many ages in which to foster its own characteristic civilisation, before it was submerged by the next. But in our day, inventions, each implying a revolution in the habits of men, follow each other thick as the falling leaves. Modern history, beginning from the England of 1780, is a series of dissolving views. In each generation a new economic life half obliterates a predecessor little older than itself."

We offer no apology for quoting at such length from the introduction to Mr. G. M. Trevelyan's *British History in the Nineteenth Century*. Such passages enable us to preserve a sense of proportion. Before the last war we were apt to assume that the essential features of the economic world had not been markedly changed by the technological and industrial developments of the nineteenth century. To-day we seem often to labour under the assumption that, whether we desire it or not, the conditions of 1914 are gradually being restored. But we live in a world of change. The twentieth century has not only inherited industrial problems and social evils: it has also acquired new opportunities. The recent and projected schemes for utilising the water power of the mountain regions of North Wales for the generation of electric power, and its distribution over a vast area suggest the type of problems with which the statesmen of industry will be largely concerned during the present century. They also remind us of one of the most serious problems which the industrial revolution created, namely, the unregulated growth of large industrial regions. During the eighteenth century England was still, in the main, an agricultural state. There were very few towns with a population reaching even 50,000. The great majority of the people lived in rural areas, and, even if their standard

of living was low, judged by present standards, at any rate they lived on the edge of country, and the children were able to live healthy out-door lives. To-day we attempt to educate our children; we have established minimum conditions regarding sanitation; we aim, in most places, at providing open spaces and playgrounds. Nevertheless, the vast majority of our children live in great towns under far more unhealthy conditions than those of old. For the sake of generations yet unborn it is our imperative duty to check the still prevailing tendency of industrial regions, already too large, to grow still larger. This will call for a change of policy on the part of the local authorities in urban areas, where growth of industries and of population means an increase in rateable value. Fortunately, what is desirable from the social point of view may soon become economically profitable to individual industries. The nineteenth century was the age of coal and iron; industrial development was conditioned by the improvements in transport which were forthcoming. But power (derived from coal) was relatively difficult to carry, with the result that industries—and people—congregated near the coalfields. The twentieth century is likely to be the age of chemistry (which will simplify processes now bound up with Engineering) and electricity, a form of power available to industry at a great distance from the source at which it is generated. Already we are witnessing the revival of small towns left more or less derelict during the rule of steam, and the growth of small, clean industrial villages combining the advantages of town and country. Herein lies the social significance of the North Wales scheme.

A second great change produced by the industrial revolution is illustrated by the present depression of trade. Seventeenth century industry was based mainly upon local needs and upon small regular demands. There were misfortunes, such as bad harvests, which brought distress: nevertheless, there was but little of the risk to which modern industry is exposed. It was only with the industrial revolution that villages and counties lost their essential independence and became mutually dependent. Production is now a chain of many links, which binds the different parts of the world together, and subjects them to the same vicissitudes of fortune. Industry not only meets world-wide needs, but meets them in advance and has, therefore, to work on estimates. These estimates are still more or less 'blind' and errors are frequent.

Thus, the Industrial Revolution created a new risk, which has to be set against the many benefits it has brought. During the nineteenth century trade moved in jerks. For many decades a financial crisis was sandwiched between the boom and the slump which followed, but improvement in the art of banking and growth of faith in financial policy have now considerably lessened the danger of such crises and diminished their intensity when they appear. Industrial depressions, however, still occur at fairly regular intervals, and it is one of the tasks of the present century to solve the problem, if it is capable of solution. So far we have done little beyond providing insurance against unemployment due to such depressions. Insurance is no remedy: on the contrary, it assumes the inevitability of the event, and merely attempts to lessen the evil consequences at any one point by spreading them over a wide area. More than one remedy for periodic industrial depressions have been suggested. We shall note one only, and that for the reason that it suggests a third great industrial problem which will confront us in the future.

It is contended that if the control of each industry were unified, trade and employment would be far more regular. The 'trade cycle,' it is said, is inevitable in competitive industry, and the remedy is thus to be found in the abolition of competition. This is not a purely socialistic argument; it is employed in America in defence of the trustification of industry. Whether or not a solution will be found along these lines, it is certainly true that trusts are being rapidly formed in self-defence, and that depression and low prices are regarded as the chief enemy. The recent mergers in the steel industry of U.S.A. (where there are now three great trusts controlling over three-quarters of the total production of iron and steel) are but the latest illustration of a tendency which is very marked in nearly all the standardised manufacturing industries of the world. It is probably in this respect that the contrast between 1850 and 1950 will prove to be most marked.

In 1850 manufacturing industries were organised on a strictly competitive basis. 'Enterprise' meant playing a lone hand; 'exploitation' meant seeking customers anywhere and everywhere, and enticing those who were served elsewhere to change their patronage. Although these characteristics are still to be found in many industries they have disappeared from those dominated by monopolistic combinations, where

the commercial function has rapidly changed. By the middle of the present century most trusts may be monopolistic. And these may be international rather than national. We may find, for example, a world trust controlling the copper industry, or the production of oil. We have already seen the formation of an international rail syndicate, and experienced the power of meat trusts whose influence extended far beyond the boundaries of the state in which they were domiciled. The international trusts of the future will present a two-fold problem. They will need to be effectively controlled so that they may serve the true interests of society. State legislation may do something to lessen the dangers of a national monopoly, but it is difficult to see how the powers of an international trust can be controlled without international legislation. Perhaps one of the most important functions of a League of Nations will be to promote such legislation. It will certainly be a difficult function, for in many cases one country's gain will be another's loss.

The further problem will be to secure ample scope for individual initiative and enterprise. To these we are indebted for much of the progress of the last century. The world will not be able to afford to dispense with them in the future. On the technological and manufacturing sides the problem has not been so serious. Patent rights offer security, and therefore incentive, to the inventor. There is no counterpart on the commercial side to the patent rights. In monopolies controlled by the state or local authority the administrative officer is guaranteed, in practice if not in theory, security of tenure, which is too often coupled with promotion by seniority. The result is said to be stagnation. The privately controlled trust enjoys greater freedom, in practice. It may promote able young officials; it may stimulate activity by threat of dismissal or reduction of salary. Nevertheless even such a trust becomes unwieldy as it grows in size, and tends to breed a hierarchy of officials not unlike those in government service. Time alone will show whether an effective substitute to the stimulus of industrial competition can be found.



THE FACTS OF THE CASE IN DIAGRAM, XXVII.

It is a matter of common knowledge that the present population of Great Britain could not possibly continue to exist upon the supply of foodstuffs which we are able to produce in these islands; nor will anyone be found to deny that the standard of living enjoyed by our people depends upon the variety, as well as upon the volume, of the commodities which arrive at our ports. It follows that no legislative action by the State, no redistribution of wealth and no measure of social reform could provide that "abundance of things" which spells prosperity, unless and until the carrying trade of the world is ample, efficient and cheap. In a word, prosperity depends on "freights," and this question must be solved *upon its own merits*, or everything else fails. Without ships we starve. But tonnage will not be built, and ships will not sail, unless they can pay their way. That is the crux and therein consists the unavoidable dilemma.

Foodstuffs, and practically all other commodities, are plentiful and cheap at some spot on the earth's surface. How are they to be transported to England in sufficient quantities without becoming so expensive that we cannot afford to buy them? A certain type of State-socialist might say, "Nationalise shipping," and a certain type of Protectionist might say, "Subsidise it," but they would only be begging the question, not solving the problem. Ultimately somebody has got to perform services in exchange for corresponding services enjoyed, and it is only robbing Peter to pay Paul to shift the ground by dragging the taxpayer into the arena.

The ship, as a detached unit, represents in its simplest form an example of commercial activity which is self-contained and, in a sense, self-sufficient. Though sailing under different flags and owned by different companies, the ship is always a servant of the world and each voyage ministers to at least two distinct communities. No office in Leadenhall Street and no department in Whitehall can do the work, and neither taxpayer nor financiers can continue to sustain a mercantile marine that is not self-supporting.

Freights, and nothing except freights, must pay for the wages of the crew, must meet the cost of coal, stores and food consumed on the voyage, and must meet the charges incurred in loading and discharging cargoes, in port dues, in repairs,

insurance and administration. If freights do not cover these expenses, besides a margin for the use of the capital employed, the ships cannot put out to sea.

The transportation of foodstuffs, all-important though it be, is by no means the only, nor even the most extensive, service rendered by shipping. The greater bulk of those exports and imports which constitute the trade of the world travel by sea. It is the ship that brings the raw material to the workshop and it is the ship that carries the finished product to market. Let the mercantile marine perish and the nations of the earth must revert to aboriginal standards of living.

If this is true in general it is doubly so in respect of our own country. England is the leading maritime nation of the world. There is nothing fortuitous about our pre-eminence; it is bred of our necessities. If birds must fly or fish swim Englishmen must sail. The primary incentive is not love of gain, nor quest of adventure, but dear life.

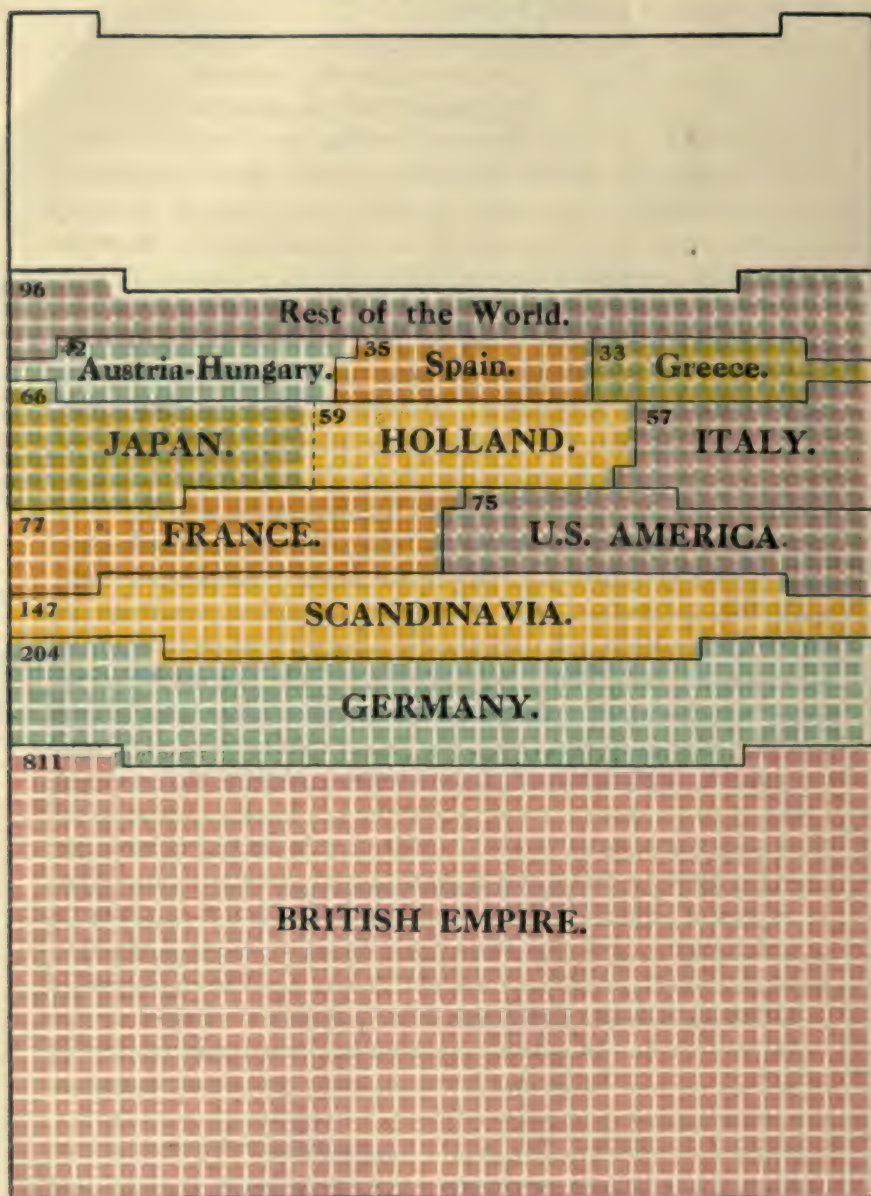
The distribution of the world's tonnage is, therefore, of supreme importance to us as a nation. We are concerned not only with the goods we require for home consumption, and with the goods we wish to export to other countries in exchange for what we import, but also we are interested, to a greater extent than other people, in the actual work of transportation itself. To be common carriers is our birthright and our chosen profession. We give the best service and we earn a well-deserved recompense. Nor is that reward confined to those who go down to the sea in ships and occupy their business in great waters; it is transfused throughout the whole corporate body of the nation and enables us to enjoy an excess of imports over exports which is denied to many of our customers. It is the chief constituent of those "invisible exports" which permit our people to buy more than they sell, to eat more than they manufacture.

At the present juncture our shipping industry is relatively in a bad way. There has been a great post-war slump in British shipping and ship-building. Freights do not cover charges and consequently boats are laid up. If we cannot make full use of the merchant navy we already possess, the natural result is that we cannot afford to spend much on new construction. During June, 1922, the output from the Clyde yards aggregated 34,891 tons against 40,476 tons in the same month last year. The half-year's total is also down, the figures being 162,216 tons as against 237,371 in 1921.

DIAGRAM No. 48.

(Note.—The figures in this diagram indicate the number of squares in each group.)

MERCHANT NAVIES OF THE WORLD.



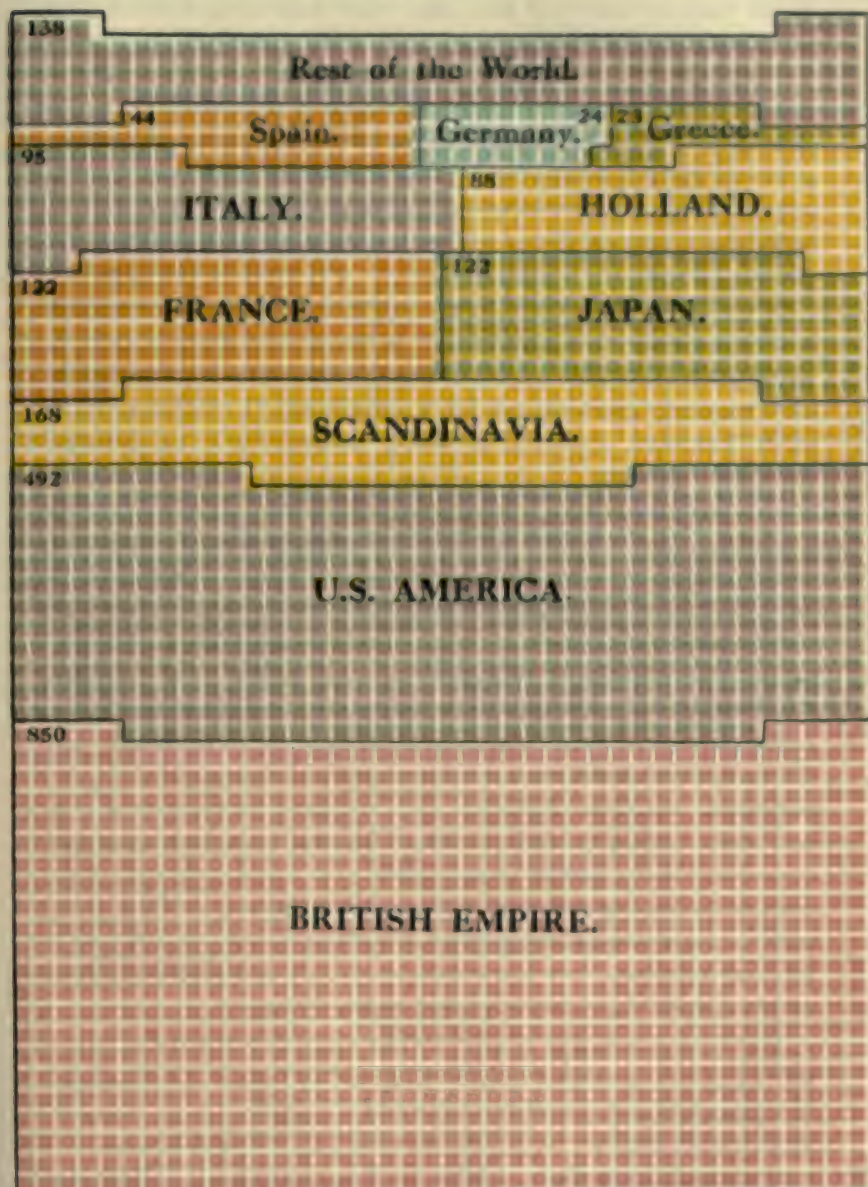
DISTRIBUTION OF WORLD TONNAGE, June, 1914.

Scale : each square of colour represents 25,000 tons.

DIAGRAM No. 49.

(Note.—The figures in this diagram indicate the number of squares in each group.)

MERCHANT NAVIES OF THE WORLD.



DISTRIBUTION OF WORLD TONNAGE, June, 1921.

Scale : each square of colour represents 25,000 tons.

The present excess of tonnage over the world's requirements is due to causes too numerous and too involved to enter upon here, but recovery of the kind that will not react to the disadvantage of the nation can only come in one way. Freights must cover charges, but if freights should reach too high a level the cure would be as bad, if not worse, than the disease. Therefore charges must be reduced and ships must carry at their full capacity. The former need falls within the ambit of our own competence, the latter cannot come about until the trade of the world is re-established on or above its pre-war level.

A plethora of world-tonnage operating at the same time as a falling off in world production is one of the many disastrous consequences of the war, and cannot fail to be aggravated by any tendency that makes for a continuation of the spirit of strife between nations, between classes, or even between political factions.

The diagrams which we print this month illustrate certain aspects of the position of British shipping in June, 1921, as compared with those obtaining in June, 1914. The statistics on which the diagrams are based are taken from tables published in section 2 of "The Reconstruction of Europe," edited by Mr. J. M. Keynes for the *Manchester Guardian Commercial Supplement*. The article in which these tables appeared is "The Merchant Navies of Yesterday and To-day," by Sir Westcott Abell. For the purpose of our diagrams we have confined our attention to sea-going steel and iron steam tonnage owned by the principal maritime countries, and, whilst keeping to the figures given in the statistical tables referred to, we have drawn the diagrams at a scale calculated to exhibit to the best advantage the relative changes that have occurred in the merchant navies of the world during the period under review.

The actual tonnage owned by the maritime countries represented in the diagrams may be deduced by dividing the number of squares in any group by forty—the quotient gives the tonnage, to the nearest two-point decimal, in millions of tons.

Commenting on these tables, Sir Westcott Abell calls attention to the result that in 1921 the British Empire had about one million tons more than it owned in 1914, but that its share in the world-trade has decreased from 47.7 per cent. to 39.3 per cent. "On the other hand," he says, "the United States has improved its position from 4.3 per cent. to 22.7 per cent., and

Germany has fallen off from 12.0 to 1.2 per cent. In effect, it may be said broadly that the only one of the Allied Powers which lost its position relatively to the rest of world has been the British Empire." This is an interesting political fact and one that might advantageously be noted by our friends in France as well as by anti-nationalists at home. Britain has been accused of imperialistic aims and of strengthening her financial position at the expense of her allies during the late war, whilst in reality, as the diagrams show, the contrary is true in the field of our most important commercial activity, viz., sea-going shipping.

Any comparison between the merchant navies of yesterday and to-day must of necessity, as Sir Westcott Abell remarks, take account of more than the mere growth of numbers of ships or of tonnage. There are other factors, such as type, speed, size, etc., to be considered before like can be compared with like. In the case of Great Britain our greatest loss has been in tramp steamers and our greatest gain in liners. That is to say the number of keels has diminished whilst the number of larger units has increased. At first sight it might appear that this change should be economically beneficial and eventually it may turn out to be so, but as a similar tendency has developed in other merchant navies, the relative position, as exhibited in the diagrams, is not thereby materially altered.

As to future prospects it would be too risky to prophesy. Any general revival in trade would be immediately reflected in the shipping industry and as soon as freights become remunerative the building programme will expand. Our capacity for producing ships of the best class is unrivalled, but if the slump should continue too long our sea-going efficiency must suffer because unemployment is even more injurious to the sailor than it is to the landsman.



TRADE AND FINANCE, X

Reparations and Inflation, II.

WE began the first article on reparations in the major key. There was evidence, a month ago, that the politicians of Europe were beginning to realise the futility of ignoring essential economic considerations. The International Committee of bankers was preparing a report which promised to teach Europe some lessons in elementary political economy. The Committee's report, when it appeared, did not fall short of expectations; but its lessons were ignored. Europe still refuses to accept the obvious, and the action of its politicians continues to be essentially preventive. The prospect of economic recovery has been delayed, but sooner or later Europe will learn wisdom.

Last month we emphasised the necessity for the control of German currency, but pointed out that a loan to enable the German Government to meet current external obligations was an essential preliminary to such control. Germany introduced measures which aimed at preventing any further need of internal inflation. Subsidies were to be abolished, and prices of goods and public services were to be adjusted to the existing currency conditions. Taxation was to be increased. Meanwhile she welcomed—and relied upon—a loan, the anticipation of which had been excited by the report of the Genoa Financial Commission and the appointment of a committee of bankers to prepare a scheme embodying the proposals of the Commission. The bankers found that their powers were too restricted, and that they could do nothing really constructive and practical so long as they were prevented from discussing the indemnity problem. The Treaty of Versailles and the subsequent indemnity agreements again proved an insurmountable obstacle. Since the publication of the report of the bankers the German mark has fallen headlong. More than 2,000 can now be purchased with a pound note. The fall is likely to continue for another three months, if precedent is a true guide.

We do not suggest that the fall in the mark is due directly and wholly to the abandonment of the loan policy. It is attributable partly to other factors. Until recently, on account of subsidies, the mark has been over-valued internally. During the last few weeks prices have risen rapidly and have

come to reflect more accurately the true internal value of the mark. Almost automatically the external value was adjusted—that is, it was changed to the extent necessary to indicate the same degree of depreciation (from the internal value) as before. Moreover, the murder of Rathenau revealed, and intensified, the political instability of the German nation and weakened the faith of foreigners in its ability to meet its foreign obligations and strengthened their desire to realise their holdings in marks. Finally, the Germans are still compelled to import large quantities of foodstuffs and essential raw materials, and these, when added to current indemnity obligations, probably exceed by a large sum the value of German exports. When, however, these factors which contribute to the decline of the mark are examined, it is obvious that they are in turn influenced by the failure to carry out the proposal to make a substantial loan to Germany.

We repeat that a substantial loan to Germany is the first step in the reconstruction of Europe. Such a loan would relieve her of her immediate embarrassments. It would enable her to settle outstanding accounts with France. It would relieve political tension in Germany and strengthen the position of the present government. It would enable that government to stabilise the currency of the nation. It would make it possible for Germany to assist in the task of restoring the remaining parts of Central Europe to something approaching order in economic affairs. All these are necessary, not so much in the interests of Germany (which will be saddled with this loan and with further indemnity payments) but in the interests of the world as a whole—not least in the interests of ourselves and the United States of Europe.

We have already tried to show how an international loan would benefit the lenders. Loans in money mean trade in goods. An indemnity loan employed by Germany in meeting the claims of France would result in a demand by France for foreign goods. It has been suggested, by those who oppose the loan policy, that if the international loan were not distributed among the various countries in accordance with their capacity to lend, or if the industrial orders resulting from the loan were not distributed in the same way as the loan itself, it might result in serious disorganization. Thus, for example, if we contributed in money one half of the loan, and the bulk of the orders went to America, the industrial and financial relationship of America and our-

selves would be seriously disturbed and we should be doing ourselves considerable injury. This contention is based upon a misconception of the nature of international trade. It is perfectly true that in such a case as this the value of sterling would fall in terms of dollars—that is, the American exchange would move against this country. The American exports to Europe in excess of their share of the loan would give them a claim upon our contribution to the loan to the extent of such excess. But one of two results would be bound to follow. The more probable result is that the depreciation of sterling would give our manufacturers considerable competitive advantages in the American market and elsewhere and would result in a considerable increase in our export trade. If, on the other hand, the Americans prevented such imports by prohibitive tariffs, they would be compelled to retain their holdings of sterling bills as investment, so that they would be lending to us what we had lent to Germany. It is always the case that either loans compel trade in goods, or export trade in goods in excess of imports compels the exporting country to lend money to finance such trade. A nation cannot lend money abroad without either reaping a reward in additional foreign trade or in turn receiving a loan (or repayment of an outstanding debt to itself) from some other country. The argument which we have examined thus seems to be quite unsound.

Again, it is sometimes argued that we are not wealthy enough to lend money to Europe, which must therefore wait until we have recovered some of our pre-war prosperity. This again is based upon a misapprehension of our pre-war international trade. That there is money awaiting investment is clear to everybody who reads the financial pages of our daily newspapers—and it is largely money which in pre-war days we were accustomed to invest abroad. We have also the industrial power necessary to provide goods, and such power is now unemployed merely because we are not performing our pre-war function as the chief investing nation of the world. Both financial and industrial conditions are such that foreign investment is not merely possible, but even necessary if we are to recover our trade. These are the fundamental considerations which are now coming to be accepted as truisms by the thoughtful public and were the very basis of the recommendations of the Genoa financial commission. It is for this reason that we still

feel that, provided political difficulties are overcome, the economic policy which was being put in train a month ago would be likely to have very profound and beneficial effects. The country which would be likely to suffer for the moment is Germany, since her artificial prosperity is due to rapid and continuous inflation. Stabilisation of her internal currency, combined with the partial restoration of its external value may produce in that country the same industrial crisis as we experienced two years ago. The departure of the inflationist fever will leave the patient weak, as we have been weak; and she will gradually regain strength, as we shall regain strength. It is then, and then only, that we shall be able to gauge her real capacity to pay, and to frame a reasonable policy for the payment of further instalments of indemnity.

It is possible that the collapse of the mark during the last few days will serve as an object lesson to Europe as a whole, and to France in particular. It must soon become evident, even to the French Government, that the financial crisis has not been engineered by the Germans, and that, like the earlier crisis, it lessens the capacity of the German Government to pay indemnity instalments. Another crisis like the present will render the mark almost worthless for foreign payments, and foreign banks and speculators will no longer accept it. What will be the result? In the first place, Germany will only be able to import essentials, such as food and raw materials, against specific exports of manufactured goods. If these are already ear-marked for indemnity purposes the Germans will be reduced to semi-starvation, and their industries will languish for lack of raw material. Reparation in kind will soon be reduced almost to zero. In the second place, Germany will cease to be able to pay further indemnity instalments in money, for the reason that she will no longer be able to buy foreign currencies by exporting marks. Then will come the real economic collapse of Germany. She will not go the way of Russia, as she is far more highly organised: nor will it be a repetition of Austria's experience, for she is much larger and differently constructed. She may present an even more difficult case than either, and her collapse may bring Europe—France included—to a state of chaos. We are convinced that before the winter Europe will rue the present policy and that the need for a complete change of attitude will be recognised. Let us hope that it will not come too late to prevent disaster.

ON TRUE CONCILIATION.

THERE is much talking and writing now-a-days about bringing employers and workpeople into harmony, and no wonder, for the clashings of the two have been many and bitter, and their strife has cost the land dear. The urgency of these matters has begotten suddenly a great array of remedies, as by Boards and meetings and many forms of compromises. From these means of establishing peace many respites have been gained, but not a cure of the trouble. For the trouble draws only part of its force from the greed or the pride of those that are in contention. Their misunderstandings are of greater depth and breadth. They inhabit the same towns and breathe the same air, but mis-know and mis-rate each other in most matters. The elements of their natures are not mixed or balanced alike. The postures of their minds differ. They are not one nation, but two: or rather, one nation and a multitude ill-cemented together and prone to divisions. Thus are manifold causes of strife let loose.

Workpeople are ill at ease in life, and at a loss for certainty and security. This arises not only from their poverty, but also from the starvation of their minds. They have had small help from others in the opening-up of their faculties and the training of their wills: and what they have essayed in their own behalf has remedied only too little the defect of training. And life has left them in the lurch by imparting to them only a small share of venturesomeness. Thus, their thoughts reach not far out, be it from doubt or shyness or mere weakness. The world around them, from their poor knowledge of it, becomes to them a burden and in a measure an enemy. They live under a weight of doubt that is flavoured with suspicions and dislike, and that nourishes a dangerous impulsiveness. In crowded cities they live solitary. They are shut in upon themselves and the few friends whom they trust, cherishing strong and ready affections towards these. Their intercourse is kindly and unselfish, but narrow. As their thoughts reach not far out, neither do their wills and purposes. They exercise their thoughts on small and near matters and deliberate about small choices, shut in not more by their outward circumstances than by their own natures, so that the range of their lives is small, though their feelings are very quick and sharp. They resemble an archipelago of islets that are nigh to each other, but have no good ties of knowledge or

trust, and between them lies, as they think, "the unplumbed salt estranging sea." They live on guard, which is to say that their minds are ridden by fears. Anxiety, centring their thoughts on themselves, unstrings their wills and strengthens the sway of their feelings. They are among men, but not of them, except those of their own kind. Doubt maims them. Their fears, moreover, are multiplied by the aspect of the behaviour of those classes that are above them. They suspect their employers and, indeed, all their opposites of being in a plot to delude and cheat them.

Most good employers and in general all that have received a sufficient education live in a continent rather than in an archipelago. They are an Order of like thoughts and motives and behaviour, and are by far more united than the mass of men. Better acquaintance with their fellows and bolder experience in affairs smooth their way; they fear the chances of life less than does the mass. They give and receive help with easy sureness, since they realise mutual interest, and feel and judge similarly. It is natural for them to launch out in great ventures, and easy for them to find help and countenance for their plans. To have been schooled well makes a man a citizen of the whole world, so that he is seldom at a loss in matters of weight. Such men are at their ease. Their minds are not beset by thoughts about themselves, nor by sharp or hasty feelings. Their freedom braces their wills. They look well ahead, taking proportionable views of the present and no more. It is easy to praise them, though they heed praise little, whereas the mass of men yearn for praise, and if they are praised live and labour the better. Those whom the mass suspects to be plotters against it, seem to be unfeeling and hard, and, to tell truth, they are harder than the others, and their manner of living seems to be more aloof, though their aloof behaviour itself does not convict them of coldness or recklessness towards their fellows or prove them at variance with them, but only shows forth the strength of their confidence. They do not yearn after kindnesses or help from others, being assured that needs will be supplied at their arising. They seem to enjoy privileges, but most of their advantages spring from similarity of nature and rearing. By understanding each other closely they benefit each other in great things and in small. Energy, boldness, a frank bearing, and a friendly temper are the whole substance of their conspiring. Yet to those who lack these advantages such

attributes seem in truth to be a conspiracy and the weapons of an enemy. Some men may fairly be named "passive" on the whole, and others "active." The behaviour of the active sort is often to the hurt of the passive sort, and is more often still supposed by the passive sort to be so. Those who behold the matter from the outside must needs think the understanding that exists among the men of education a mystery and a threat. For it is ubiquitous, and done, or so it looks, without effort, so that the plotting seems to be both general and very deeply planned. The active sort have the whip-hand, and choose and command; which is to the advantage of both sorts. The passive sort admit that they receive a measure of gain therefrom, but with so many misgivings and so much fear and doubt that the success of those ventures wherein both are engaged together is often impaired and sometimes turned to failure: so little are they at one.

Thus it is that there is little harmony between masters and servants. They dwell under the same sky and on the same soil, but differently, in that the one know how to obtain what they seek by boldness in the search and using their friends' help confidently, whereas the other sort go very warily, doubting and fearing they scarce know what or whom, or barely go forward at all, and shrink back oft, throwing away order and discipline. These pranks and tricks bring ruin on themselves and the others. The evil can well be seen in daily work. Quarrels and strife therein have their occasion not seldom in disputes about money. But these disputes draw their sharpness less from greed than from the two sorts being ill-fitted to agree. Life has made them so contrary in their qualities that if they agreed well or for long it were a marvel. While the contrariness lasts their strife must last. To set up boards and summon meetings will not turn contrariness to likeness or doubt to concord. That nought can do but the imparting of a full education to more and more of those who lack it, and length of time, and the help, too, of Mother Nature to improve their understandings. For what they chiefly lack is not gold but that which she alone can give: though if she give somewhat, training and help can better it. New-fangled devices can give respites from the strife: but only the generations peace.

APPRENTICESHIP AND INDUSTRIAL TRAINING.

I. The Proportion of Apprentices to Journeymen.

REGULATION of the number of apprentices is probably as old as apprenticeship itself. It was strictly enforced both by the mediaeval gilds and under the national system established by Queen Elizabeth. At the present day it is enforced in very many trades, generally by means of fixing a proportion of apprentices to journeymen.

The aim of such regulation is, on the one hand, to ensure sufficient apprentices to provide adequate skilled labour for the different trades and, on the other, to limit their numbers to what a trade can absorb as men. In the controversies to which the subject has given rise, however, one or other of these objects is apt to be forgotten.

That there are urgent reasons for some sort of regulation can be easily shown. In the first place it is essential for the proper training of the apprentices. This is given largely by the journeymen, who can devote only a limited time to it, whilst some of them may not be competent to teach at all. Thus, normally, a given number of men can only teach a smaller number of apprentices. Moreover, much of the most valuable training is less consciously taught than unconsciously acquired by working among the skilled men, and this also requires the journeymen to outnumber the apprentices.

Secondly, there are normally limits to the number any trade can absorb, and if too many youths are trained, full employment cannot be found for them as men. There is also the danger that apprentices will be used as cheap labour to displace men. This is the element which is most prominent in discussions on the subject. On the other hand, with too few apprentices, an industry's growth is restricted and unemployment may be caused in the trades dependent on it. Further, the surplus of unskilled labour is swollen by those who have been prevented from becoming apprentices, and the amount of employment available for it is reduced by shortage of skilled men.

Thirdly, a wrong proportion of apprentices leads, from the national standpoint, to a wasteful distribution of apprentices and eventually of skilled labour. If one firm takes more than its share another will get less. Moreover, where excessive

numbers of apprentices are taken they are apt to be used as cheap labour and not properly trained. On the other hand complaint is sometimes made that the firms best fitted to train take too few apprentices.

The same thing may happen between one trade and another. The boys themselves may enter an industry which happens to be popular or fashionable, e.g., engineering, and avoid others which are equally important and equally remunerative. At present, however, an even more pressing danger arises from the competition of well-paid unskilled work. So long as a growing skilled trade is attracting its boys, not from other skilled trades, but from unskilled boy labourers' work, the result is beneficial in increasing the total number of skilled workmen.

The cogency of these reasons is admitted by moderate men on either side. Nevertheless, there is acute controversy as to what constitutes in practice a just proportion of apprentices. This is due partly to difference in point of view. Employers wish skilled labour to be plentiful and, apprehensive of a shortage, fix the proportion high. Workpeople, with the ever present fear of unemployment, and desirous of safeguarding their wage standard, place it low. In practice proportions are fixed in a rough and ready way according to the bargaining power of the two parties, and their real identity of interest is overlooked. The result too often is unsatisfactory.

But in the main the difficulty is due to failure to grasp, and make allowance for, the various conditions which affect the problem. For not only are they numerous, but they act in different ways in different trades, and even in the same trade at different times.

First, there is the length of apprenticeship: for the longer this is, the longer will it take to replace a skilled man, and the larger must be the proportion of apprentices. A five years' apprenticeship, for instance, allows four relays of apprentices to be trained in twenty years, so that, with no wastage, a proportion of one to four journeymen would enable the latter to be replaced in this period.

Secondly, there is wastage. All apprentices do not become journeymen. Some die or break down in health, others get better openings or drift away for various reasons, good or bad. Hence, to replace the men, more than an equal number of apprentices must be taken. Then there is more wastage in

some trades than in others, in unhealthy trades, for instance, or where the form of apprenticeship is a loose one.

Thirdly, the proportion is a maximum not an average. Some firms will take fewer than this, or even none at all, and sometimes apprenticeship is forbidden in particular branches of a trade. Hence over a whole industry the actual proportion of apprentices to journeymen is below, and sometimes considerably below, the maximum allowed to any one firm.

Fourthly, the number of apprentices required is reduced where there are alternative methods of entering the trade. The semi-skilled assistants of skilled men may acquire it, or boys and youths pick it up without apprenticeship. Such methods, indeed, may not be desirable and may not be recognised, but so long as they exist in fact they reduce the need for apprentices. The extent of this again varies. In printing, for instance, it is normally small, in the building and furnishing trades it is larger.

Fifthly, the average working life of a journeyman, that is the number of years he works at his trade, has an important bearing on the subject, for it determines the length of a generation of workpeople and the time within which they must be replaced. Now this average working life varies from trade to trade. It is usually longer in light and healthy trades, shorter in heavy or dangerous ones, except so far as the latter attract strong and healthy men.

Finally, the rate of increase is different in different industries and this is, perhaps, the most important factor of all. For, whilst normally the population as a whole increases slowly, some industries are expanding rapidly, others only slightly, and yet others are stagnant or even declining. Hence the number of journeymen they require varies. Stagnant trades cannot employ any increased number of journeymen, still less can declining trades. The expanding trades, therefore, not only require increased apprentices for their own needs, but, taking them, help to provide more fully for the rising generation.

Thus the variation in the numbers of apprentices required in different industries may be very large indeed. Trade may fluctuate widely, now progress, then decline, and it will therefore require more apprentices at one time than at another. Moreover, industrial changes, like increased specialisation and mass production, may reduce the need for skilled labour in a given trade; the needs of expanding trades may be met

in part, as in the motor trade at present, by the migration of skilled journeymen from allied industries, and lastly some trades have to do more than recruit the journeymen in their own workshops: sea-going engineers, for instance, are trained in engineering shops, and the pianoforte factories supply tuners to the large retail trade.

This survey, which does not profess to be complete, illustrates clearly the variety and complexity of existing conditions. With so many factors to complicate the question, it is not surprising that most of the error and controversy which surround the subject arise from sheer failure to grasp the problem. But the consequences of this failure are serious and far-reaching. Fears of a shortage of skilled labour on the one side and of unemployment on the other are only too likely to be realised as a result of unscientific methods of dealing with the matters at issue.

It is obvious that there can be no easy or rapid solution of the problem, complicated as it is by the legacies of past controversies; but the difficulties are by no means insuperable and the goal is one equally desirable to masters and to men. For the correct handling of this particular department of industry is an essential step along the road to that full and proper expansion of manufacture and commerce which alone can ensure ample employment for the coming generation and a progressive standard of living for the whole community. But before this can be achieved, or even approached, the actual facts must be fully and carefully investigated, trade by trade. Till this is done no reliable arrangements can be negotiated. And such arrangements will need to vary with the conditions of each trade, and to be planned and carried out by the trades themselves. Each trade must tackle its own problem, and the matter would therefore appear to be essentially one for the Joint Industrial Councils with, possibly, some co-ordinating authority to link up the separate actions of the individual trades.

(To be continued).

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FOOD FOR THOUGHT.

THERE is an instinct in human nature—or it may be a kink—which ordains, when concerted action is contemplated by a polemically-minded and partly-disciplined body of men, that the proceedings should be inaugurated to the accompaniment of a chant. The battle cry of Maori warriors, the ecstatic utterances of religious enthusiasts and the inarticulate chorus of base-ballers from Yale and Harvard are examples of the satisfied need for this form of self-expression. To reinforce the faith, to rally the faint-hearted and to overawe the opposition are the objects, and to stimulate group consciousness is the result of the manifestation.



At the annual meetings of the Labour Party and the N.U.R. which took place early in July, the time-honoured rite of declamation was celebrated according to precedent. Both at Edinburgh and at Bradford proceedings opened with a fulmination from the Chair denouncing the existing order of society, threatening the capitalist class and belauding socialism as the only antidote to the many evils that poison the world. This done, everybody experienced a comfortable feeling that he was indeed one of a band of socialist brothers, strong in faith, right in essence, not to be withstood in argument, and not to be defeated in action.



Sufficient steam having been let off after this manner, the meetings settled down to their business, and then a curious thing happened! As soon as concrete resolutions were put and discussed it became apparent that the great majority of the assembled delegates were not socialists after all.

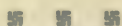
Admittedly, of course, there was no change of ground, but on practical issues it was almost invariably the socialist view that came off second best.

At the Railwaymen's Conference, for example, a resolution was tabled protesting against the injustice certain old age pensioners suffer by their weekly pensions being reduced when, through the exercise of thrift, they have saved enough to provide themselves with a small private income. During the discussion which followed, the General Secretary of the N.U.R. stated that their Union had, for years, encouraged house-owning by their members and, *knowing how beneficial it was*, he deplored the meanness of the State in penalising thrift

by denying full pensions to old people who happened to be in possession of private means. Mr. A. E. Chandler, a real socialist stalwart, challenged the contention that thrift should be rewarded, and asked, pertinently, "What is the difference between the man who has £200 in his pocket and £200 in his house?" When the resolution was put to the vote, however, every hand rose in support, with a single exception. A great triumph, that, for the principle of private enterprise.



The creed of socialism is nothing if not altruistic, and the psychology of the British working man is such that he is at once a sincere altruist in theory, and a pure individualist in practice. He passionately espouses the cause of the under-dog and is generous to a fault in helping to relieve his necessitous fellows when his compassion is touched; but, for himself, he clings to his right to acquire, and to hold, private property. He may object to capitalism in the abstract but *in propria persona* he has no intention of allowing himself to be victimised for the sake of an idea. He does not know that he is inconsistent in this attitude, and he avoids the dilemma by calling the same thing by different names according to circumstances.



A similar conflict between the claims of theoretical politics and common sense arose at both Conferences over the question of the advisability of Labour Leaders becoming Privy Councillors. The two Chairmen spoke like convinced Republicans and their speeches were applauded, but Mr. Henderson at Edinburgh and Mr. Thomas at Bradford had no difficulty in proving their case, with the result that the constitutional view prevailed by overwhelming majorities. The *Daily Herald* and its select following may go on assuming that Labour is Republican, but it is a hollow pretence that is pricked whenever the question is put to the popular vote.

Is not the time over-ripe for Labour to get rid of the handicap of sectional and archaic formulas, and under the leadership of responsible men, backed by genuine working-class opinion, to make a determined stand for the real betterment of the people as a whole on lines that are at once democratic and constitutional? The experiment is well worth trying and would meet with a surprising measure of success.

DAY BY DAY.

(A monthly Record of the principal events which have a direct bearing upon the maintenance, or otherwise, of peace in industry).

June 1st. The Ministry of Labour index figure for the cost of living was about 80 per cent. above that of July 1914.

Changes in rates of wages in May resulted in a total reduction of over £390,000 in the weekly full time wages of nearly 2,200,000 workpeople. Ninety-three trade disputes involved about 370,000 people in idleness and caused a loss of about 7,200,000 working days during the month. The principal dispute was in the engineering industry, the lock-out of the Amalgamated Engineering Union being extended, on May 3, to the other engineering unions and continued throughout the month.

Employment generally improved slightly, but the coal, iron and steel industries were badly affected by the engineers' dispute. Among trade unions, unemployment fell from 17 per cent. in April to 16.4 per cent. at the end of May; among workers in insured trades it fell from 14.4 per cent. to 13.5 per cent. The Employment Exchanges registered 1,566,000 as unemployed at May 22nd, and 134,000 as working short time.

2nd. Engineering dispute: The aggregate ballot of the 47 unions showed 99,313 in favour and 46,881 opposed to acceptance of the terms of settlement put forward by the employers. The Boilermakers' Society and the Union of Foundry Workers voted against the terms and have claimed the right to act independently. Agreement was reached between the employers and the rest of the unions to begin work on June 6th. The A.E.U. will again ballot and an early settlement of the whole dispute may now be anticipated.

5th. Engineering dispute: The National Union of Foundry Workers, in view of the unrepresentative character of the vote just taken, have decided to take another ballot in which 50 per cent. of eligible members will be required to vote and only a two-thirds majority against acceptance of the terms will be accepted.

6th. At the triennial Congress of the National Union of General Workers, Mr. J. R. Clynes appealed for greater power for trade union leaders who were often regarded by the rank and file as "messengers" and no more.

Engineering dispute: Mr. J. T. Brownlie, Chairman of the A.E.U., has addressed a letter to all members of the union presumably reflecting the tone of the York conference, and strongly counselling acceptance of the employers' terms.

At Burnley 2,000 coalminers have gone on strike as a protest against a further reduction in wage-rates and the refusal of the Board of Trade to allow any part of the coal Industry Welfare Fund to be used for the relief of underpaid workers. The action is unofficial, but the President of the Lancashire Federation declares that with the amount of work available men cannot earn enough for adequate food at the present rates.

7th. On June 12 lock-out notices will be posted in the printing trade owing to the operatives' refusal to accept the employers' proposed wage reductions. Over one half of the members of the National Society of Operative Printers will be affected and the union is preparing for the emergency by taking a ballot to impose a levy of 1s. in the £ on wages received.

The Co-operative Congress decided by card vote to attempt a separate daily paper for the movement. A motion in favour of supporting the *Daily Herald* as a joint Labour and Co-operative organ, was rejected on the ground that the Labour Party was not yet ready for unification.

8th. The National Executive of the Miners' Federation met to consider the present serious position of miners owing to trade depression and low wage-rates. The meeting was private, but Mr. Frank Hodges (secretary), officially stated that it was ascertained that every district but one in the Federation was down to the minimum wage-rate which, combined with widely prevalent irregularity of work and the nature of unemployment benefit regulations, was causing appalling hardship among the coalminers. A strong resolution of protest was passed against the attempt now being made to amend the Trade Union Act with the object of suppressing political activities.

9th. The National Transport Workers' Federation at their 12th annual meeting, unanimously decided to resist the passing of the Trade Union Act Amendment Bill.

13th. Engineering dispute: The ballot of the A.E.U. showed a large majority in favour of acceptance of the employers' terms (75,478 votes for, and 39,428 against). The Foundry Workers also intimated that their members favoured acceptance and work will therefore be resumed as quickly as possible. The Boilermakers' Society stands alone and is not expected to continue resistance in these circumstances. The memorandum now signed by the A.E.U. is that of May 24th, and provides that the employers have the right to decide when overtime is necessary, discussion taking place afterwards. Ten days notice is to be given by the employers of any proposed change in the recognised working conditions (other than general alteration of

wages, alterations in working conditions which are the subject in official agreements, and alterations in the general working week). At the end of ten days the changes may be made operative without prior agreement, subject to any ultimate agreement under the machinery of the Provisions for Avoiding Disputes.

15th. In the Welsh coalfields several thousand miners are on strike on account of the action of numbers of surfacemen who have left the Miners' Federation and joined the Enginemen and Craftsmen's Union.

The National Joint Council for Dock Labour is expected to open negotiations in a few days on the proposed reduction of dockworkers' wages. Wages were 16s. a day under the Shaw award and have since been reduced to 12s. It is now proposed to reduce them to 10s. and to revise piece-rates accordingly. The Transport Workers' Federation is arranging a delegate conference for the first week in July to decide on the policy to be adopted if the employers adhere to their full demand.

17th. Coal industry: The present method of regulating wages and profits in the coal industry is terminable at three months' notice after September next. The Miners' Federation has therefore invited branches to submit new schemes for consideration at the annual conference being held next month. The Lancashire and Cheshire miners have submitted a scheme embodying the following points. General conditions shall be determined by a National Board whose decisions shall be administered by local boards; both boards being representative of employers and workmen. The district boards shall control selling prices and costs of production. In determining profits the employer shall be considered entitled to a fair return on the aggregate capital invested, the standard wage of the workers constituting a prior claim on the income. The National Board shall begin by raising the basis wage in every district to a point equivalent to the cost of living, and, for a period to be agreed upon, shall fix a standard wage higher by an agreed percentage than the cost of living basis wage. The wage agreement shall include provision for a two weeks annual holiday.

The Second International (Labour and Socialist Parties) at their annual conference in London passed a vote of censure on the Moscow Government for the outrageous manner in which the so-called trial of Social Revolutionary prisoners has been conducted.

19th. The Second International decided to take no further part in attempts to come to international agreements with the Third International.

At a mass meeting of Hull dockworkers, the men pledged themselves to resist the proposed reduction of 2s. in wages, and to enforce local negotiations affecting their conditions.

Farm wages: The Minister of Agriculture has confirmed the following wage agreements: Male adults in Cambridgeshire 7½d. per hour for a fifty-hour week, additional hours at 8d. and Sunday work 10d. In the Isle of Ely milkmen and horsemen are entitled to £2 os. 6d. a week, other workers to 31s. per week of 51 hours.

23rd. Printing Trade Dispute: Prolonged negotiations with Sir David Shackleton acting as mediator have resulted in a provisional settlement with the executives of all the unions other than the Typographical Association. This society has agreed to refer the matter to the Industrial Court, while the other unions will submit the agreed terms to ballot. The employers originally asked for a reduction of 15s. a week and wages to be stabilised until December 1923. The unions offered to accept 7s. 6d. Sir David Shackleton finally got the men to agree to 12s. 6d. being taken off wages at intervals extending up to June 1923, but the Typographical Association refused to recommend their members to agree to any reduction in excess of 7s. 6d.

27th. The Labour Party opened their twenty-second annual conference at Edinburgh. Eight hundred delegates were present and Mr. F. W. Jowett presided. A new rule, obviously directed mainly against the Communist Party, was agreed by an overwhelming majority. The rule states that delegates to local Labour Parties and national conferences must declare individual adhesion to the constitution of the Labour Party and must not be members of any organisation which runs candidates not endorsed by or running in association with the Labour Party. A resolution of protest against the Trade Union Act Amendment Bill was introduced by Mr. J. R. Clynes and carried unanimously.

28th. The Labour Party Conference refused, by 3,086,000 to 261,000, on a card vote, to reconsider the British Communist Party's request for affiliation. Mr. Hodges pointed out that, whereas the Labour Party believed in a Parliamentary political democracy, the Communists supported the unchecked dictatorship of one or two intellectuals. Mr. Ramsay MacDonald emphasised the fact that the Communists were the declared enemies of this Labour Party and sought to enter it only in order to destroy it. Messrs. Cramp, Sidney Webb, Pallitt, Bevin, Jack Jones and Brownlie were amongst those who spoke in favour of the resolution. The international situation was reviewed by Mr. Tom Shaw, M.P., who

moved a resolution demanding the revision of the Treaty of Versailles, political recognition of the Russian Government, and that the Japanese be called on to withdraw from the Far East Republic. The conference was asked to reaffirm its conviction that the League of Nations contained the best possibilities for devising machinery for the preservation of international peace, and to recognise that it should be part of the Labour Party's policy to devise a method by which Germany could make due reparation without detriment to her own and Europe's economic recovery. Resolutions were also passed in favour of legislation to secure for India the same measure of self-government as Canada, Australia and South Africa, and of pressing a policy at the International Socialist Congress of Labour opposition to any war, whatever the ostensible object.

29th. The Labour Party Conference adopted a resolution against entering into any alliance or electoral arrangements with any section of the Liberal or Conservative Parties. An attempt to pass a resolution disapproving of members of the Labour Party becoming Privy Councillors was defeated by 3,694,000 votes to 386,000. The supporters of the resolution gave it as their opinion that the Privy Council was anti-republican and that the Triple Alliance failed on "Black Friday" largely owing to Government pressure on labour members of the Privy Council. The opponents held that the Labour Party was not republican, but anticipated taking office as a Government under the King.

30th. The Labour Party Conference, at its final session, passed a vote of censure on the Government's refusal to allow the importation of Canadian cattle. After a good deal of opposition and recrimination, Mr. Neil McLean, M.P. (Glasgow Trades and Labour Council), succeeded in carrying a resolution by 2,226,000 card votes to 1,281,001, demanding that the payment of interest on national war debt should be reduced by at least $1\frac{1}{2}$ per cent. Mr. Sidney Webb was elected chairman for the coming year and Mr. Ramsay Macdonald vice-chairman.



ECONOMICS STUDY SCHEME, II.

CANDIDATES are reminded that all answers to the third set of questions must reach the Secretary at 20 Magdalen Street, Oxford, on or before August 15. No extension of time can be granted.

In the following notes, Prof. J. H. Jones discusses some of the more interesting problems to which the questions in Set No. 2 give rise.

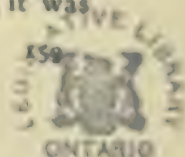
THE tests provided under the study scheme of this journal differ materially from the papers set for an examination room. Their purpose is to stimulate interest in the study of economic problems by setting definite tasks and providing readers with an opportunity of measuring themselves against each other. In this way a useful standard of attainment is set. The candidates have access to the books upon which the questions are based, and they may spend as much or as little time as they care upon the task. Clearly one expects more than repetition of the pages which deal with the subject. The purpose of study is to enable the reader to interpret his own experience, and that of the world in which he lives, in a manner which would otherwise have been impossible. The true criterion of success is found in the ability to deal with the questions without relying to any great extent upon reference to the text books, and in the capacity to apply principles to everyday life. Irrelevance here would be an unpardonable sin.

The first question was obviously suggested by the dispute in the engineering industry. The answer involves a discussion of the nature of control in industry, and this was considered in an article in the May number of *Industrial Peace*. The section of *Social Economics* which is devoted to the subject showed why control is now vested in the shareholders of a company, or the single owner or active partners in a private concern. The reason is that these accept financial responsibility. At this point a critical student might have observed that workpeople, like owners, are compelled to share the financial risks of industry. Wages are not a regular payment; risks are not fully discounted. But there are many

kinds of risks. As far as individual contracts are concerned the workpeople are fully covered, the owners are not. And industry represents a series of individual contracts. This is the *raison d'être* of the present distribution of control. Special reference to the engineering industry might have been made at this point, and the schemes which have been suggested—such as Whitley Councils, Works Committees, collective contract—might have been discussed, the essential difference between “collective contract” and the other schemes being revealed. In this connexion, too, the student who had followed events in the coal industry since the publication of *Social Economics* might have referred to the substantial changes introduced by the latest profit-sharing agreement, and considered whether the change in the distribution of risks had been sufficiently important to justify a change in the distribution of the responsibilities of management. Throughout the answer the student should have borne in mind the fact that control is not merely a right to be enjoyed, but a responsibility to be shouldered.

Although the second question was in some ways the most difficult (being the most obscure) it calls for little comment. It served but as a test of ability to understand a few pages which might have been written more clearly. Every business is exposed to risks, but the owner wishes to concentrate solely upon the risk of “enterprise.” Those beyond his control he wishes to unload. If he stood alone he would be unable to do so—at least, anyone accepting the risk would be gambling on it. But there are many such people and the individual risks tend to cancel each other. Consequently it becomes possible for someone or a company to undertake a large number of risks, which, when considered collectively, become measurable or calculable. The new company undertakes to insure others against the risks already described, and thus accepts a new form of risk, namely, the risk of speculation. This is based upon the “probability” characteristic of “great numbers,” and is reduced to a minimum if the speculating or insurance company does its work well. Unlike the risks which are insured against, the risk of speculation is largely determined by the qualities of the speculator.

The third question allows considerable scope to the imagination of the student. In the first section of Chapter V. of *Social Economics*, the theory of competition was examined and its assumptions analysed. The main assumption, it was



found, was that competition was really effective. But competition was never effective, in the full sense of the word as we know it. Two illustrations of the ineffectiveness of competition were given, one of which was the wages of women workers. But many other illustrations might have been given: for example, readers of this journal might have drawn on recent articles dealing with the effects of foreign exchange variations upon international trade. The competitive theory has never fitted the facts in the past and is not likely to fit them in the future; nevertheless, if the assumptions of the theory had been true many of the social evils of to-day would not have appeared. They are due to the difficulties experienced by the force of competition in producing its natural result.

The fourth question is simple and straightforward. The two systems (profit sharing and sliding scale) have been considered in *Social Economics* more carefully than they can be described here. But in this question as in the first, the keen student of recent events would have taken the opportunity of referring to the new scheme introduced in the mining industry, which scheme is essentially one for sharing profits, though in some respects it resembles the old sliding scale. It introduces, for the first time, the principle of distribution (of profits) on a collective basis. The antagonism of trade unions to profit-sharing in the past has been due to the fear that, being strongly individualistic in character, it might undermine the trade unions and destroy collective bargaining. This difficulty has been overcome in the new miners' scheme, which has, however, been subjected to a strain of another kind, a strain which may prove too severe during the next few weeks.

Readers of these notes may think that to expect much knowledge of current events is an unfair demand to make of the students who have written answers. My purpose here, however, has not been to lay down the conditions of success in the test, but to indicate very briefly the broad considerations which seem to me to arise. Mere repetition of the points already dealt with in *Social Economics* would be of no interest or help to the candidates. It must not be assumed that these particular points are essentials to a good answer—nor do I pretend to be able to write a good answer! It is easier to judge others than to submit something for their judgment.

No. LX

AUGUST

MCMXXII

“ Before arriving at a judgment whether a thing is
good or bad, it is a sound rule to try to understand it ”

INDUSTRIAL PEACE

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Profit-Sharing in the Coal-Mining
Industry

The Facts of the Case in Diagram
On Class Antagonism

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INDUSTRIAL PEACE

PROFIT-SHARING IN THE COAL-MINING INDUSTRY.

DURING the war, disputes in the engineering industries excited a great deal of attention from the general public. A continuous supply of munitions and other engineering products was essential to the prosecution of the war, and serious interruption of work and supplies would have endangered the life of the nation. But the resumption of peace reduced the urgency of requirements from this group of industries, and the attitude of the public towards them underwent profound change. We have but to imagine what would have been the public attitude if the recent engineering stoppage had occurred five years ago, to realise how great the change has been. The coal-mining industry however, like railway transport, occupies both in peace and war, a position similar to that enjoyed by engineering during the war. A national stoppage would seriously disorganise all other industries and, if prolonged, might endanger the life of the community. It is for this reason, more than any other, that the industry attracts so much public attention.

Several crises have been negotiated in this industry during the last four years, and in July of last year a national agreement was concluded which has operated ever since and which, it was thought, was built upon a strong and enduring foundation. We grew to hope and believe that the problem of securing industrial peace had been solved. But the scheme established under the national agreement has been subjected to an unforeseen and exceptionally severe strain. It could not have come into operation at a more unfavourable moment, and as the experimental period ends in September, and already the scheme has fallen into disfavour among large sections of the miners, it will probably be the subject of public controversy during the autumn. The essential features of the scheme do not appear to be well known: even so well informed a journal as the *New Statesman* recently published an article on the subject which was inaccurate and generally misleading. It may therefore be well to place before the readers of this journal a brief account of the agreement, its antecedents and its consequences.

Two distinct wages problems have been the subject of

serious disputes in recent years. The first was solved, or partly solved, by the passing of the minimum wage act after the strike of 1912. The second led to the agreement of last year. The issues in both cases were fairly simple and clear. If we are to understand them we must bear in mind some of the characteristics of the industry. Approximately one half the people employed are day-workers, the other half being piece-workers. The fixing of piece rates is one of the most difficult tasks which confront the mine-owner. The rates are largely determined by the nature of the seam and the ease with which mining operations can be conducted under normal conditions. Once they have been fixed they cannot easily be altered. They may—and do—vary considerably between different pits in the same locality and presenting the same features, and even between different seams in the same pit. Yet they tend to be permanent. If they prove to be a good bargain to one party or the other, that party will not willingly make a substantial concession. As the working conditions cannot be precisely estimated beforehand, not only piece rates but weekly earnings vary considerably. That, however, is not the main difficulty. In working a seam the miner may strike an 'abnormal place' which presents exceptional obstacles, and a piece-rate which proved fairly satisfactory under ordinary conditions may not be sufficient, with the output possible on the 'abnormal place,' to provide anything approaching a satisfactory weekly wage. Until the Act of 1912, mine-owners dealt with the problem independently, but the Act established the principle of a minimum wage for each district.

The second great wages problem which the industry presented was to determine upon what principle the wages of the general body of miners should vary from time to time. In the 'seventies' of last century, when county and district associations of workers had been formed, the sliding scale system was established in many parts of the country, both in coal-mining and iron and steel manufacture. Under this system the price of the product was accepted as the test of the capacity of the industry to pay and to vary wages. The wages actually paid at the date upon which the scheme was introduced were accepted as the basis wages and the ascertained prices as basis prices; a given variation in price during an agreed period was to be followed, during the next period, by a given variation in wages, the latter being calculated as a percentage of the basis wage. It was possible, of course, to modify by agreement the

basis wages in any pit or seam: the 'percentage' was the common factor throughout the district. Moreover, when new pits were sunk or new seams opened, the actual rates fixed were basis rates carrying the district percentage.

In the iron and steel industries the sliding scale system brought peace which has remained unbroken for over forty years; it not only continues in operation wherever it was established long ago, but its sphere of operation has been considerably extended in recent years. Raw material costs are lower and labour costs higher in mining than in iron and steel manufacture, with the result that prices provide an even better test of profits. Nevertheless the sliding scale system in the coal industry brought less satisfaction to the miners and was ultimately abolished, the South Wales scale being the last to disappear, twenty years ago. Conciliation Boards were formed in all the districts, and these fixed wages at stated intervals. But the principle of the scale remained to the extent that first, prices were accepted as the test of prosperity and secondly, wages variations were still measured as percentages of the basis wages. The old system was modified by the introduction of minimum and maximum wages also measured as percentages of the basis wages. We cannot here fully discuss the causes of the change, but two points may be noted. One is that the idea of a minimum wage was one which was being discussed in many industries at this time, and it was the same idea which ultimately led to the 1912 strike and minimum wage act already described, as well as the Trade Boards Act of 1909. The other point is that the coal industry is highly speculative and that the sliding scales fell into disrepute during the period of exceptionally low prices in the 'nineties' of last century.

The method of fixing variations in wages by means of district Conciliation Boards continued down to the outbreak of the war. Meanwhile the county and district associations had formed themselves into associations and federations covering larger areas, and these ultimately co-operated to form the Miners' Federation for Great Britain. During and after the war, the National Federation negotiated wages advances which, unlike those of the past, took the form of flat advances, that is, equal additions in the daily earnings of all categories of workers of sixteen years of age and over. Such was the position last year, when the present scheme was introduced. Essentially the new scheme is a species of profit-sharing and

differs from the old scheme in that the actual 'profits' are ascertained by expert accountants representing the two parties.

For the purpose of the scheme the country is divided into thirteen districts, some differing slightly from the districts as defined in former schemes. Each district stands by itself and, for all accounting and wages purposes, is quite independent of every other district.

We shall first of all attempt to give the essential features of the scheme, reserving closer examination until the second article.

(1) The miners are guaranteed a minimum wage below which the actual wages cannot fall. The minimum wage is twenty per cent. above the standard wage, allowance also being made in the case of piece-workers for such modifications of tonnage rates as were recently made when the hours of work were reduced from eight to seven. The standard wage is the wage of July 1914, which, as already stated, is measured as a percentage of the old sliding scale basis wage. As there appears to be some confusion on this point an illustration may be useful. The Scottish sliding scale was introduced in 1877, the then prevailing rates becoming the basis rates. In July 1914 Scottish wages were seventy-five per cent. above basis. These are now the standard, and the Scottish minimum today is twenty per cent. above that standard, not ninety-five per cent. above the basis. A day-worker whose basis rate was 4s. per day received 7s. in 1915, and is now guaranteed a minimum of 7s. plus twenty per cent. of 7s., i.e. practically 8s. 5d. per day.

(2) The next point is somewhat difficult. Clause 4 of the agreement states that "the sum to be applied in each district to the payment of wages above the standard wages as herein-after defined shall be a sum equal to 83 per cent. of the surplus of such proceeds remaining after deduction therefrom of the amounts of the following items during the period of ascertainment—(a) the cost of the standard wages; (b) the costs of production other than wages; (c) standard profits equivalent to 17 per cent. of the standard wages." The workers' share of the surplus is expressed in the form of a percentage of the basis wage. If there is a large surplus the case presents no difficulty. A purely hypothetical case may be used for illustrative purposes. Suppose the total proceeds in a district for January amounted to £238,000, the standard wages (i.e. not the wages

actually paid in January, but the total calculated at the 1914 rate) to £100,000 and the other costs to £38,000, leaving a balance of £100,000. Of this balance £17,000 (i.e. seventeen per cent. of the standard wages) would be reckoned as standard profits and would fall to be deducted, leaving a true surplus of £83,000. This would be divided into two parts, in the ratio of eighty-three to seventeen, so that approximately £69,000 would constitute the larger, or workers' share, being equivalent to sixty-nine per cent. of the standard wages. This would be converted into the proper percentage of the basis wages, say ninety per cent., and the final result (basis plus ninety per cent.) would indicate the wages payable to each worker in March, the accounts being prepared in February. So far it is purely a question of accountancy. But suppose the balance after paying standard wages and costs (but not standard profits) amounted to but £20,000 (i.e. twenty per cent. of the standard wages) or less, (i.e. the proceeds being £158,000 or less) it follows, since the workers are guaranteed a minimum of twenty per cent. above the standard, that the owners collectively would not receive their standard profits. Thus in practice, the full minimum wage constitutes a first charge upon the proceeds, and the standard profits are simply a book entry. If the proceeds of the industry in any month are insufficient to provide the *standard wages*, (i.e. less than £138,000 in the above illustration) the deficiency is carried forward and deducted from the *surplus* of the first available month after the accounts are made up. But the twenty per cent. which has to be added to the standard to make up the minimum wage is not carried forward in the same way; it comes wholly and finally out of the pockets of the mine-owners, and may be regarded as a charge upon the standard profits in the future, provided the market recovers. But it will be shown that no individual owner is guaranteed anything under the scheme; that considerable variations in individual profits exist, and that when the district as a whole may show standard profits, and even considerable surplus profits, individual owners may be suffering severe losses.

(To be concluded).



THE FACTS OF THE CASE IN DIAGRAM, XXVIII.

THE difficulty of grasping the full significance of very large figures, to which we referred in the first of the articles introducing this series of diagrams, is well exemplified in the case of the vast array that represents the gross inter-indebtedness of the nations of the world at the present time. We read of milliards, and even trilliards, of roubles, marks, francs and dollars, but we do not comprehend them in the sense of visualising and retaining a clear-cut picture of what the figures really imply. Consequently we either form erroneous impressions or become indifferent and cease to enquire into the matter at all. Yet there are few, if any, current questions of equal importance, for the future of the world in general, and of Great Britain in particular, is going to be determined to a large extent by the nature of the settlement arrived at with regard to these debts.

The situation is both complex and delicate; for not only do the bare figures require elucidation, relatively as well as absolutely, but a whole host of questions—racial, political, social, sentimental and economic—are involved, with the result that the problem can never be solved on any purely mathematical basis. At the same time the first necessity of the case demands that the nations concerned should have a clear understanding of at least the broad financial issues and should know how they stand towards each other both ethically and mathematically, as otherwise there is danger of a settlement which will be inequitable, inexpedient and immoral.

The diagrams which we publish this month attempt to convey a clear impression of the elementary facts of the case, especially with regard to the position of Great Britain as the buffer state between the creditor nation, America, and the debtor nations on the continent of Europe. Diagram No. 50 gives a summary of what we have called the British Balance Sheet, and exhibits how the external loans, granted and received by us for war purposes, stand in relation to each other.

It will be observed that our assets exceed our liabilities by the gigantic total of two thousand, two hundred and fifty-four millions of pounds. Such a figure stretches beyond all ordinary limits of ready comprehension, but these and similar sums may be reduced to a practicable basis of thought by computing the

DIAGRAM No. 50.

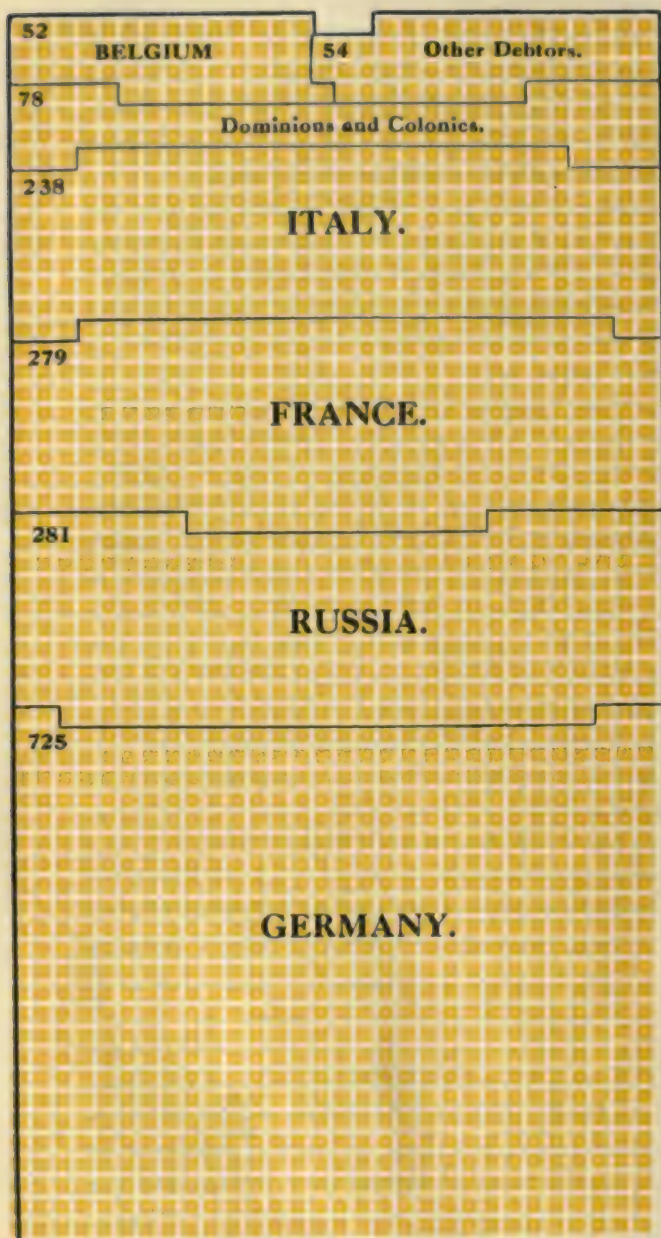
(Note.—The figures in this diagram indicate the number of squares in each group.)

ASSETS

due from

LIABILITIES

due to

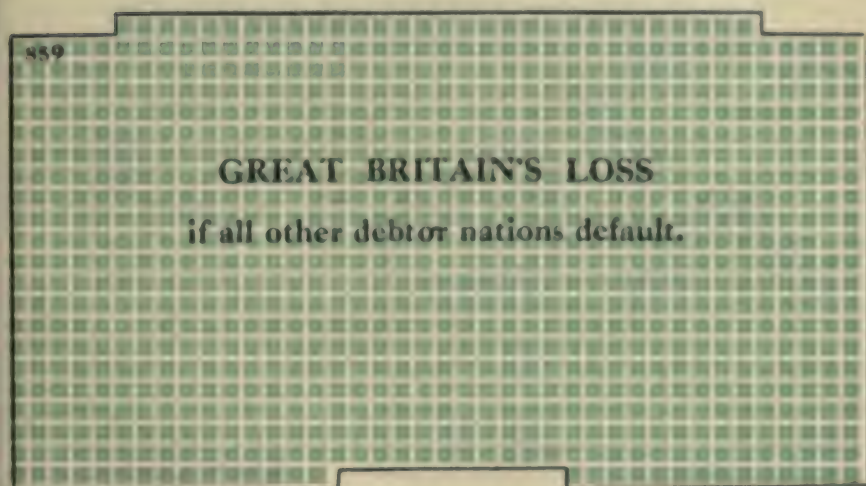


GREAT BRITAIN'S INTERNATIONAL BALANCE SHEET. March, 1921.

Scale : each square of colour represents £2,000,000.

DIAGRAM No. 51.

(Note.—The figures in this diagram indicate the number of squares in each group.)



**HOW THE POSITION OF GREAT BRITAIN WOULD
BE AFFECTED BY THREE TYPES OF SETTLEMENT.**

Scale : each square of colour represents £5,000,000.

amounts which the various debts represent *per head* of the populations of the debtor countries. The following table gives the approximate results obtained after subjecting the gross figures to this process of calculation:—

<i>Debtor Countries.</i>				£	s.	d.	
<i>Germany</i>	<i>owes Great Britain</i>			22	2	9	} <i>per head of her population.</i>
<i>France</i>	" "	"		13	18	6	
<i>Belgium (inc. Congo)</i>	" "	"		13	17	10	
<i>Italy</i>	" "	"		13	10	11	<i>ditto.</i>
<i>Greece</i>	" "	"		3	15	3	<i>ditto.</i>
<i>Russia</i>	" "	"		3	9	3	<i>ditto.</i>
<i>Portugal</i>	" "	"		3	1	10	<i>ditto.</i>
<i>Yugo-Slavia</i>	" "	"		1	17	5	<i>ditto.</i>
<i>Rumania</i>	" "	"		1	5	2	<i>ditto.</i>
<i>Great Britain</i>	<i>owes America</i>			20	11	2	<i>ditto.</i>
" "	"	<i>certain allies</i>		2	13	10	<i>ditto.</i>
" "	"	<i>miscellaneous</i>		1	4	10	<i>ditto.</i>

The total sums owing to Great Britain, if distributed amongst our population, would realise £72 13s 6d. per head, whilst the cost of liquidating our external indebtedness would come to £24 9s. 10d. per head—on the other hand America will receive from Great Britain, in payment of her claim, a sum equivalent to £9 4s. 2d. per head of her population. The total indebtedness of Germany to the Allies works out at £100 5s. 3d., or more than seven times as much, per head, as is due to Great Britain from France, per head.

In face of these figures, the assertion, so often repeated in some of our newspapers, that Germany can pay in full, whilst France cannot pay, even in part, appears to be difficult to justify. The ability of any given nation to meet its obligations does not depend, however, solely on the amount of its external debt. There must also be taken into account the questions of how much it owes to its own nationals and how much taxation it levies.* In this connexion it may usefully be mentioned that the gross public debts of Great Britain amount to £181 per head, those of France to £162 per head and those of America to £47 per head. With the Berlin exchange in its present disorganised condition it is impossible to compute with any degree of accuracy what the gross public debts of Germany may amount to in sterling.

* Taxation in France amounts to £9 a head, in the United Kingdom to £17 per head.

Diagram No. 51 shows how the financial position of the United Kingdom would be affected by three extreme types of settlement. The worst that could happen on the material side, from our point of view, is that Great Britain should have to discharge her liabilities in full without receiving anything from Europe in return for the financial sacrifices which she made for the allied cause. In this event we should have to pay fifty million pounds a year in interest on the American loans besides providing a sinking fund for the amortization of the capital debt. To raise the money for these services would probably mean an average addition of eighteen pence in the pound to the burden of the income-tax payer.

If all debts were cancelled Great Britain would still be a loser but the loss, being already discounted, would not involve any fresh sacrifices on our part. The third alternative, viz. the payment of the sums owing by all international debtors, would mean a gain to the United Kingdom of £5,625,000,000 or £119 13s. 7d. per head, but it is recognised, on all hands, that such a settlement is altogether impossible.

Between the best and worst solutions of the tangle there are many shades of compromise, and various suggestions have been made in the hope of reconciling the claims of honesty, generosity and prudence. The debts of all parties were incurred at a time when prices were inordinately high, and for a common purpose. It would be unreasonable to expect America to forego the whole of sums due to her, and it would be the height of injustice to take full advantage of Great Britain's generous action in guaranteeing the loans made to her allies. If all debts were written down by fifty per cent. the problem would become more manageable and our sense of justice would not be outraged. The Balfour note is valuable and opportune in many ways, but its chief merit is that it will focus the attention of all the nations concerned upon the same aspect of a question that hitherto has been burked on the one side and taken for granted on the other.



ON CLASS ANTAGONISM.

I. The Genesis of Class Feeling.

THE social situation in Western Europe at the present day is marked by the intensity of class-feeling, sometimes, though not always, exaggerated by racial differences. This fact is variously regarded: the old-fashioned patriot deplors the resulting division of the national unity, whereas the Marxian treats as backsliders all "workers" who are not "class-conscious." Before arriving at a judgment whether a thing is good or bad, it is a sound rule to try to understand it. The observations which follow are offered in the hope that they may arouse reflection on the nature of class-feeling and the conditions in which it arises.

What do we mean by the word "class" when we speak of the "working class," the "capitalist class," the "professional or educated classes?" Such classes only exist in highly organised communities in which the division of labour has been fully developed. They are sections or groups of the population united together by similar conditions of life and by the possession of similar inherent characters, and marked off from other sections, the conditions and characters of which are different. As a social unit the class as such has little cohesion; it is an aggregate rather than an organism. An organic social unit is usually constituted by a number of persons of different status, brought into direct relationships with one another through difference of function. The school-master belongs to school-masters: he need not be in touch with any other school-master, but he must be in direct contact with his scholars. If the members of a class remain isolated from each other, they hardly think of themselves as belonging to a class, and class-feeling is rudimentary: the old village school-master did not think of himself as *a* school-master but as *the* parish school-master. Free intercommunication is indispensable to the formation of class-feeling: it is always more intense in towns and thickly populated manufacturing districts than in pastoral or agricultural areas. If, again, the members of a class become fully conscious of their common interests, they may organise themselves for the purposes of common action into a group with a definite structure, an association with officials and representatives authorised to further the interests of the whole. The development of this third stage of class-consciousness with this formation of class-associations organ-

ised for offensive and defensive aims, is a feature of present-day civilisation.

The ultimate basis of class-division is usually economic; for a class, as a rule, consists of a number of persons who gain their living in similar ways. Even when the primary distinction is of another character, the economic factor has a place; thus hereditary aristocracies have generally been hereditary landowners and have declined when they lost control of the land. Hence a dual relation between one class and another. On the one hand the existence of one class may be dependent upon that of another class; in our complex civilisation this dependence is generally reciprocal; thus the weekly wage-earner depends on the employer possessed of capital wherewith to pay wages, and the capitalist himself implies the supply of wage-earning labour. In fact, our society as a whole consists of a network of classes mutually interdependent for the exercise of their several functions. On the other hand, this mutual interdependence itself has the effect that the immediate interest of one class may be at variance with that of another, and antagonisms may arise between them engendering bitterness and hatred as intense as those aroused by religious and racial differences. This intensity of feeling is ultimately due to the fact that the class as such embodies the mode by which its members gain their living, so that an attack on it excites the elementary instinct of self-preservation in an acute form.

But the economic basis of the class is only one factor, though an important one, in the growth of class-feeling. Men have imaginations to satisfy as well as stomachs to fill. The social factor has to be reckoned with, for in ordinary social intercourse members of one class do not mix so freely with members of other classes as with those belonging to their own. This is a marked feature of the older civilisations. It is most extreme in India, where contact with the lower castes brings religious pollution on the Brahmin. In mediæval Europe law prescribed difference in dress for the villein and the merchant, and most of the languages of modern Europe retain differences in mode of address surviving from a time when the privileges of rank were jealously guarded. In the modern big town classes are segregated in working-class districts, in suburbia, or in Mayfair.

This segregation is partly due to economic causes; the working-man tends to live near his factory, as he has (or had till recently) to get up early in the morning; the clerk comes later and has more of a position to keep up, so he goes farther

afield for his home. It is partly due to the natural tendency of those of like tastes and pursuits to gather together. It results in accentuating the difference of outlook arising from difference of occupation. For every class has its own peculiar ideas, its own characteristic view of life. We are apt to forget how deeply these differences enter into character and standards of conduct: yet the farmer who has to wait for months before he can reap the doubtful result of his sowing, the *rentier* who receives his dividends by the post every quarter, the weekly wage-earner who draws his money every Friday when in employment—all these look very differently on the common risks of life.

We are all familiar with the divergence in mentality between men of different races, continents and nations: we think of the "nigger" as a child; Kipling has told us that the West cannot understand the East; and our recent intimate relations with the French have only served to deepen the impression that their outlook is not identical with ours. In contrast with our neighbours we think of a distinctive English character and English ideas and tend to overlook the fact that within England itself there are many types of character and many standards of conduct. An English farmer differs from a French farmer in race and in national tradition, but resembles him in the characteristics of the farming class, which is marked all over the world by a hard independence and close-fistedness, sometimes softened by a bluff hospitality. In the working-man's scale of values mutual helpfulness in distress, rising often to heights of self-sacrifice, stands very high. Respectability and decorum are everywhere the typical virtues of a middle class.

In the contest between classes these divergencies of standard are fruitful of misunderstanding; for people are unimaginative and unable to enter into the minds of those whose attitude to the common affairs of life is different or opposed to their own. One of the greatest difficulties arising from the development of self-expression in the labouring classes is that their point of view tends to be rejected as un-English by the classes so long dominant in setting the national tone. Conversely, the average working-man regards "temperance" legislation and a stiff attitude on the question of divorce as belonging to an alien system, that of the middle classes. Thus class-feeling, initiated by instinct, is exaggerated beyond a healthy degree of development by ignorance. Mutual sympathy and mutual understanding go together.

TRADE AND FINANCE, XI.

IN the series of which this is the concluding article an attempt has been made to give the bearing of the present financial situation upon industry and trade, and to indicate the main lines of financial reform. At an early stage we endeavoured to show the effect of instability of currency and prices upon trade and employment, and to emphasise the need for stability. We found that such stability could not be effected directly, but was only to be expected as the result of attention to still deeper causes. Taking the German mark as an extremely important illustration, we distinguished between its internal or domestic value, and its value when offered for sale abroad, and found that the latter was considerably less than the former. But the former was shown to be steadily falling as the result of continuous inflation, rendered practically inevitable by the dependence of Germany upon the rest of the world for foodstuffs and raw material, combined with the existence of unpaid floating debts representing indemnity instalments. These further explained the fall of the world value of the mark as compared with the domestic value. We stated that what was true of Germany was also true, in greater or less degree, of most of the European states, and suggested that the first step in European reconstruction was to stabilise the exchanges by the conversion, where necessary, of floating external debts into long-term obligations.

We endeavoured to show the effect of pressing Germany for immediate payment was to reduce, again and again, the external value of the mark and to disorganise internal currency conditions. Such disorganisation led—and still leads—people to believe that Germany was poverty-stricken and could not pay any large sum in reparations. We held, however, that appearances were deceptive, and that the ultimate capacity of the country was determined not by its momentary financial condition but by its industrial potentiality. We suggested that the immediate difficulty was due largely to the form in which the indemnity had been imposed, and that the urgent requirement was to amend the form, leaving the question of amount to be discussed in relation to moral and political considerations and the question of inter-allied debts.

In the first article of this series several questions were asked, one of which was whether, in view of the general situation, we

in this country had adopted the best policy in relation to wages. During a period of nearly two years following the armistice, wages rapidly rose and the currency was steadily inflated. It was frequently urged in this journal that the rapid rise in wages was but the instrument of inflation and, taking the nation as a whole, did not bring any net gain, but rather intensified our difficulties. When the tide turned the exporting industries were among those which suffered first and most keenly, and it was widely believed that wages had reached an uneconomic level. Then followed a period of reductions, which gradually spread to even the most stable industries, such as those under public control. So far from leading to a revival of trade, these reductions were accompanied by still deeper depression. If the previous advances in wages were not followed, on balance, by any gain to the community, can it be argued that the reductions were equally futile? Have we, by repeatedly reducing the rates of wages paid in the great majority of occupations, met the depression in the wrong way? These are clearly questions of the greatest practical importance, and can only be adequately answered in a series of future articles dealing with wages. But it may here be stated that, assuming we have gained nothing for foreign trade by repeated reductions in wages, we have suffered in two ways. The first is, that since (as we have shown), stabilisation of currency involves stabilisation of wages, we have lost that improvement of domestic trade which might have been expected to follow stabilisation of internal currency, and to which the Federation of British Industries has rightly attributed much importance. The second way in which we have suffered is that the reduction of wages, costs and prices—or in other words, the enhancement in the value of currency—has been accompanied by an increase in the real burden of the national debt.



APPRENTICESHIP AND BOY LABOUR.

II. The Development of Apprenticeship.

MODERN apprenticeship has been defined broadly as "the system of training for skilled manual employments" and, in this sense at any rate, the common assertion that "apprenticeship is dead" is false. The prevalence of the error is due to various causes. The system of apprenticeship belongs to the earliest periods of industrial organisation. The conception of the idea has remained more or less fixed, whilst its practical realisation has marched—or more often stumbled—with the times. Thus men fail to realise that new methods suited to modern conditions have replaced the old; that side by side with these new methods have crept in irregularities and a lack of method frequently resulting in a training scarcely deserving the name of apprenticeship. Lastly, the increasing importance of semi-skilled and unskilled labour has obscured the issue. These factors, and others fully dealt with last month, all point to the necessity for reorganising apprenticeship. But before attempting to recast existing conditions, it is essential to know something about the past and to see how the present has developed from it.

The history of apprenticeship is that of three systems. Its beginnings are found in the Middle Ages, as employments become sufficiently diversified for training in separate crafts. It appeared first in staple trades, like those of smith, carpenter or weaver, and in the corporate towns where its regulation was entrusted to the Guilds. Hence the municipal system came first. The Guild regulations set a high standard of craftsmanship. Their fault was a tendency to monopoly in their members' interest which eventually proved their undoing. For, to escape the restrictions of the Guilds, trades sought the open country and new towns sprang up in which inferior methods of training were adopted. Meanwhile, in the corporate towns, the Guilds themselves were declining and the Reformation saw their complete destruction. Their system of apprenticeship likewise suffered, and before the sixteenth century was far advanced it had practically broken down, except in London and a few large towns.

The position in 1562 was not unlike that which followed the Industrial Revolution at the end of the 18th century. The machinery of an old system had broken down; it was unwelcome to the new industries and industrial centres with their newer methods of manufacture; and they replaced it with new

forms of training, or with no form at all. The two ages had each the same problem to face, the same choice to make between construction and *laissez-faire*; but while the former sought order and prosperity in the Second or National System of Apprenticeship, the latter abandoned this policy in favour of the "freedom" of unfettered individualism.

Elizabeth and her ministers had both the will and the power to deal with the subject on constructive lines; and, supported by public opinion, they did so as part of a general organisation and development of industry. Nevertheless, the new structure was raised slowly. The decline of fifty years was not easily arrested and the machinery of local administration was defective. Probably the system did not fully establish itself till the following century. Gradually, however, and perhaps the more surely, it did so. The new legislative measures were, with hardly any exception, devised to strengthen it. What was more, it succeeded, as the Elizabethan Church Settlement did, in winning the heart of the nation. New trades, to which in strictness the Statute of Artificers did not apply, appear for a long time to have voluntarily adopted apprenticeship in order to conform to the demands of public opinion. Apart from a few factories in the woollen trade, the Statute appears to have held almost unbroken sway at the close of the 17th century.

The first part of the 18th century, however, showed indications of the coming change. Some, indeed, did not affect apprenticeship immediately. Large workshops were replacing small, as, for example, in tailoring; some types of work as, for instance, the silversmiths, were becoming more specialised; but both tailor and silversmith continued to be apprenticed. On the other hand, the modern system, whereby work is done mainly by unskilled and female labour, was growing fast in the silk and linen trades and the factory system was gaining ground in the staple woollen industry. Moreover, men's ideas in regard to the system were changing. The new conception of liberty was being applied practically in this, as in other spheres of economic life, even before it was promulgated as a system by Adam Smith in the *Wealth of Nations*.

The Industrial Revolution appears to have affected apprenticeship mainly in three ways. First, changed methods of production caused some industries, notably the textiles, metal smelting and certain metal-working trades, to be no longer suitable for apprenticeship, and so led them to abandon it almost entirely. In thus reducing the range of industries to which the

system could apply, the Industrial Revolution merely accelerated a tendency of which there were already strong indications. Secondly, other trades, whose methods continued to be suitable to apprenticeship, expanded so rapidly, and developed so enormously their demand for labour, that the system, or parts of it, had to be temporarily suspended. There was no inherent reason, however, why the system should not be restored when things had adjusted themselves, and this does seem to have taken place in at least one of the smaller textile trades—calico printing. Thirdly, a general increase in production, and especially in the size of establishments, required a reorganisation of the system; and since the changes were deeper and more fundamental than in the 16th century, this revision was correspondingly great.

Nevertheless, so far as the conditions of production were concerned, such reorganisation does not seem to have been impossible. In some industries, like shipbuilding, it appears actually to have been taking place early in the 19th century. The difficulty lay rather in the realm of thought. The doctrines of Adam Smith were at the height of their influence, and *laissez-faire* was dominating economic opinion. The unnecessary multiplicity and the injurious nature of many of the restrictions in part justified the reversion of policy, but the apostles of the new creed failed, in their enthusiasm, to distinguish the good from the bad and blindly strove to root out wheat and tares alike. Moreover, the supporters of apprenticeship—and they included most of the workpeople and the still numerous small employers—adopted too often an attitude of frank reaction, and demanded, not a revision of the system to suit the new conditions, but the restoration, root and branch, of the old methods. This was impossible and any attempt to effect it could only have failed.

Eventually Parliament repealed the Apprenticeship Laws in 1814 and the system of national regulation was abandoned for one of *laissez-faire*. The boy entering industry was left to seek his own interest in his own way under free competition. Yet, for a time, the practical effects of the change were limited. Technical needs in some industries required, and still require, definite training. Trade opinion was still able in some cases to enforce apprenticeship; and, as this influence declined, the growing Trade Unions were able to exercise some control. They could sometimes, for instance, limit the number of apprentices and restrict their use as unskilled labour. Hence the decline in the standard of training was gradual; and the Printing

Trades, for example, have, at least in some districts, retained a fair average level. Moreover, the newer methods have certain advantages. They give wider scope to able boys. They enable clever sons of poor parents who cannot afford a regular apprenticeship to acquire a trade in some other way. Finally, it sometimes sharpens a boy's wits and stimulates his energy to know that, having no binding agreement, he can be dismissed if he is not satisfactory.

Nevertheless, the bad results have seriously outweighed the good. The system of Trade Union regulation has been defective. Not only has it not possessed the power to regulate apprenticeship in all trades, but even where such regulation has taken place its proper object has been subordinated to the main motive of preserving and improving the standard of living. Thus the actual principles and methods of training have been, at least till recently, of less importance than such things as the restriction of the number of apprentices. Moreover, in unorganised trades, the decline has been altogether unchecked, whilst in others the regulation has been but partially successful. Thus in many industries, and to some extent in nearly all, defects and irregularities have grown and multiplied. And the weakness of regulation has been made worse by the general belief in the efficiency of *laissez-faire*. Worst of all, the most valuable element in the old system, the existence of a definite public opinion demanding regular standards of training has been lost. The general standards have been lowered, and the whole level of training has deteriorated.

The close of the Great War left a position very similar to that which faced the Elizabethans. The war revealed the weaknesses that follow lack of organised training, and hastened the recognition of the need for greater and better regulation. Moreover, favourable elements are not lacking; the materials for a system are ready to hand and the machinery for rebuilding is provided by the Joint Industrial Councils. There is a rich reward open to the nation if it can reconstruct the whole system of training and raise to a higher plane the preparation for industry, not only of its apprentices, but of all other classes as well.

FOOD FOR THOUGHT.

BEFORE the era of machinery and before the coming of large scale industry, when manufacture was true to its name and really meant handiwork, when the mill-race was the only known source of power, when the loom was worked by muscle and when men toiled long hours for little reward in small companies—then was there industrial peace throughout the land. Poverty and hardship were the lot of the multitude, luxuries and amusements were hard to come by, life was monotonous and injustice was just as common as it is to-day; yet resentment was rare and resistance to the social régime was the exception rather than the rule. As man's conquest over the forces of nature grows more complete, as the standard of living improves, and as opportunities for self-realisation and self-advancement multiply, one would expect that the sum of contentment should increase in like ratio; but, to the casual observer at any rate, it looks as if we had moved absolutely backwards in the path which leads to that greatest goal of human endeavour—the capture of happiness.



If this appearance of retrogression were indeed a reality the future would be dark for humanity, but the tendencies we deplore can only be relative and superficial, not absolute and essential. The convenience of a public press, the decay of restraining agencies, the growth of democratic power and the broadening influence of education are all factors which contribute their quota towards creating the illusion that things are moving from bad to worse—whilst the truth is that, whereas a great volume of discontent used to be latent, now dissatisfactions, more numerous perhaps but of less real moment and justification, are exceedingly vocal. To this suggested interpretation of an observed tendency the rider must be added that we have reached a higher plane of sensitiveness in these matters and are shocked at a state of affairs that past generations would have viewed with complacency. Such an awakening to our responsibilities is all to the good, disturbing though it be to the conscience.



At the same time we should be falling into grievous error if we accepted the foregoing explanations as covering the whole field and concluded that they were the root of the matter. Relative ills are often as galling in their season as those that are absolute, and we are bound to admit that the science of

the maintenance of good human relations in industry has not kept abreast of the times nor adapted itself to the development of technical skill and mechanical invention. Yet without an ever increasing knowledge of how best to fit ourselves to co-operate in large groups, without a faculty of controlling the new mechanical forces we have harnessed to our will, whilst safeguarding the rights and the claims of humanity, the engines and organisations that we create will become, by their magnitude, tyrannical Juggernauts—oppressors of the people. On the mechanical side modern large-scale industry depends for its efficiency upon a far reaching and elaborate chain of co-operative organisation, and if the science of management develops lopsidedly, that is to say if it fails in the sphere of cultivating harmonious human relations, those engaged in industry, employer and wage-earner alike, suffer by having allowed themselves to become helplessly dependent upon a soul-less machine which, respecting neither God nor man, crushes those whose servant it ought to be. We suppose that it was with this thought in their mind that the inhabitants of Erewhon made the possession, and even the recording, of any mechanical contrivance an offence punishable by death.



One of the difficulties which confronts us in the proper management of industrial relations is how to enjoy a minimum or standard wage for all, without destroying the will to work, without discouraging ability and without penalising the more industrious workers. In the hope of overcoming this perennial obstacle, the management of Port Sunlight has reached the conclusion that, in the interests of all, it is best to pay labour the trade union rates of wages. Multiplication of rates makes for instability and should be avoided as a basis of payment, but the firm in question recognises that over and above the standard rate there is a need for encouraging intelligent and efficient service. Lord Leverhulme recognises that the removal of the anxieties of insecurity is the greatest boon that can be conferred upon the workers. He proposes, therefore, to provide a free life insurance for every member of the staff from the youngest labourer to the managing director. Full details of the scheme have been published in the newspapers and should be studied by all who are interested in this new phase of co-partnership. The experiment is likely to prove, in our opinion, a noteworthy landmark in the history of the search after industrial peace.



DAY BY DAY.

(A monthly Record of the principal events which have a direct bearing upon the maintenance, or otherwise, of peace in industry).

July 1st. The Ministry of Labour index figure showed the cost of living to be 84 per cent above that of July 1914—a rise of 4 per cent since June 1st.

Changes in rates of wages during June resulted in a total reduction of over £390,000 in the weekly full-time wages of about 2,000,000 workpeople. Increases amounted to about £100 in the weekly wages of 5,000 people. Eighty-two trade disputes involved the loss of 2,100,000 working days and caused about 310,000 people to be idle.

Unemployment continues to decline slightly. Among trade-unionists 15.7 per cent. were unemployed at the end of June; among those insured under the Unemployment Insurance Act the corresponding figure was 12.7 per cent. The Employment Exchanges registered 1,455,000 as unemployed.

Under the Education Act, 1918, the half-time employment of children under 14 years of age becomes illegal.

3rd. The National Union of Railwaymen opened their annual Conference at Bradford, with Mr. J. Marchbank (Glasgow) as President. After describing, with questionable accuracy, the condition of the working classes to-day and the attitude of the employers towards them, Mr Marchbanks condemned the present political machine but advocated its capture by the workers for their own emancipation. The new Railways Act was welcomed by the President as giving the workers opportunity to demonstrate their ability to assist, to some extent, in the management and control of the railways. The ultimate aim of the union, however, was public ownership of the whole transport services. The necessity for a change from craft to industrial organisation was advocated, and the President regretted the lack of unity among the railway unions and the engineers. A fusion of all the unions in the transport industry was also advocated.

4th. The National Union of Railwaymen unanimously passed a resolution to take steps to defeat the Trade Union Act, 1913 (Amendment) Bill. A resolution expressing the opinion that while unemployment was an inherent evil of the capitalist system, the present abnormal conditions were the outcome of the treaty of Versailles and calling on the Government to revise it, was passed with one dissident.

5th. N.U.R. Conference: two resolutions, directed by the extremists against the Rt. Hon. J. H. Thomas, conclusively

demonstrated the railwaymen's attitude towards the constitution in general and Mr. Thomas in particular. The first, expressing the view that Mr. Thomas's action against *The Communist* showed him to be unfit to retain the general secretaryship, failed to find a seconder. The next, demanding the secretary's resignation either from his Union office or from the Privy Councillorship, the two functions being incompatible in a time of crisis such as occurred during the miners' dispute, was defeated by 76 votes to 3.

Trade Union Act, 1913 (Amendment) Bill: The Standing Committee appointed to consider this measure, which requires political action by a trade union to be endorsed by a majority in a ballot in which at least 50 per cent. of members take part, and altering the conditions under which subscriptions are paid into the political fund, adopted the following amendment: "that the funds of a trade union may be applied to the furtherance of political objects if a resolution approving of such a course has been passed by a majority of members voting by ballot," waiving the condition that the votes of at least 50 per cent. of members entitled to vote shall be recorded and that the votes recorded in favour shall exceed by at least 20 per cent. the votes against the proposal.

6th. N.U.R. Conference, in private session, considered various resolutions regarding alterations in the general secretary's salary. This now stands at £1,000; suggestions were made for a reduction to £600 on the one hand, and an increase to £1,200 on the other. No decision was announced. No agreement was reached on the question of affiliation to the National Transport Workers' Federation. The Associated Society of Locomotive Engineers and Firemen has decided to affiliate, the Railway Clerks' Association has referred the matter back to the branches, and the leaders of the N.U.R. recommend affiliation, but the view of the rank and file is uncertain. A resolution was passed protesting against the injustice of reducing the old age pensions of those who, by the exercise of thrift, were able to save a little out of their earnings.

Printing Trade Wages: The ballot of the lithographic printers and artists on the wages question shows a majority in favour of acceptance of the proposed reduction of 12s. 6d. a week; the first cut of 5s. will therefore take effect immediately.

Between 7,000 and 8,000 London milkmen, members of the Transport and General Workers' Union, threaten to strike on July 4th if the Trade Board award of 2s. 6d. reduction in weekly wages is put into operation. The men protest that

when the award was agreed to it was understood that the price of milk would fall, now, on the contrary, it is being increased one penny a quart.

7th

N.U.R. Conference : Resolutions were carried in favour of taking steps to secure legislation which would compel employers to pay compensation to workmen injured when working in a manner contrary to the Company's rules. It was agreed that exact adherence to rules would practically bring work on the railways to a standstill and that if men did all they could to facilitate railway work they should not be penalised when an accident occurred. The Conference also decided to urge the Government to cease the present "five weeks gap" system and make continuous payments to the unemployed. A resolution, seconded by Mr. J. H. Thomas, urging the Union to take upon itself the task of stamping out pilfering among regular railway servants, was passed with three dissentients.

Printing Trade Wages : With the exception of the London male members of the National Union of Printing and Paper Workers and of the National Society of Operative Printers, the trade unions concerned have balloted in favour of acceptance of the Industrial Court award. The 12s. 6d. reduction will be made in four instalments extending up to January 1923.

Trade Boards Acts, 1909 and 1918 : Having regard to the report of the Cave Committee, the Government has decided that no Trade Board shall in future be set up unless the Ministry is satisfied that the rate of wages prevailing in the trade is unduly low as compared with other employments, and that no adequate machinery exists for the effective regulation of wages throughout the trade. A public enquiry is to be held in each case before any order is made. A revision of existing Boards is to be undertaken in suitable cases. It is hoped that rates other than the minimum for the general body of workers in the trade will be commonly fixed by agreement of the two sides.

10th.

Unemployment : In the House of Commons the Prime Minister announced that a Bill would be introduced immediately to reduce the "waiting period" fixed under the Unemployment Insurance Act, 1922, from five weeks to one week. It is intended to effect this change before October next.

11th.

Trade Union Bill : For the third time disorderly scenes occurred in the Standing Committee dealing with this Bill. The Labour members accuse the chairman (Sir Watson Rutherford) of refusing them a proper hearing, while the chairman accuses the Labour members of deliberately wasting

time by introducing irrelevant matters. Lord H. Cavendish-Bentinck and Dr. Murray also strongly protested against the conduct of the Chairman.

12th. Trade Union Bill : Amendments to omit the provision that trade unions shall disclose the source and nature of all payments into and out of the political funds and that separate political fund accounts shall be kept, were proposed and carried provisionally.

13th. The Trade Union Bill was finally debated in Committee and ordered to be reported to the House. The Labour members expressed their complete dissatisfaction with the proceedings and blamed the Chairman for the many disorderly scenes, due, they claimed, to his unfair rulings. The Chairman, in justification of his conduct in the chair, pointed out that an uproar occurred when the closure of the debate on Clause 1 was moved, although eleven sittings on that clause had been held and seven-eighths of the time monopolised by Labour speakers. Lord Henry Cavendish-Bentinck expressed his strong disapproval of the Bill, which he described as a shoddy, unconstitutional and conservative measure.

The General Federation of Trade Unions opened their annual Council meeting at Dumfries. Mr. T. Mallalieu presided over the 70 delegates representing 126 affiliated societies with a membership of one million and a quarter. Mr. W. A. Appleton, Secretary, came in for a good deal of adverse criticism as chiefly responsible for the tone of the General Report, which was characterised as being more like the work of an employer of labour and a disgrace to the advanced Labour movement which existed to undermine the Capitalist system. Mr. Appleton's statement that Capitalism was the best system yet invented was hotly challenged. An attempt to refer the Report back was defeated by 29 votes to 19. The President, in his opening speech, severely castigated employers in general and the engineering employers in particular who, he declared, might be fittingly branded as incompetents and cast on the scrap heap.

14th. The G.F.T.U. passed a resolution condemning the Trade Union Act (Amendment) Bill and urging that, if the Bill passed, action should be taken to resist it. It was also decided that the Trades Union General Council be approached with a view to securing closer unity for consultation. The Government's proposal to fuse the administration of the unemployment and health insurance payment was condemned as an attempt to get the administration of unemployment benefit away from the unions.

15th. London milkmen held a mass meeting at which they decided that there should be no immediate strike, but the unions were empowered to take every necessary action to secure the men's terms. The employers state that the men, after the proposed reduction, will be receiving a minimum of 57s. 6d., whereas, on the pre-war basis the cost of living wage would only be 48s. 7d. In the event of a strike, customers are offered milk at 4d. a quart if they will fetch it themselves.

18th. Negotiations in a dispute between the owners and men in the Blackwell Colliery Company revealed the proved fact that company was losing £1,000 a fortnight. The men followed the advice of their agent (Mr. J. G. Hancock, M.P.) and accepted reduced wages as an alternative to closing the mines.

Engineering Wages: The Engineering Employers Federation and the executives of the unions affiliated to the Engineering and Shipbuilding Trades Federation met under the presidency of Sir Allan Smith for a further consideration of the proposal to reduce the war bonus by 16s. 6d. a week. The unions agreed to submit to ballot a proposal that wages should be reduced in three instalments of 5s. 6d. each, at the end of July, August and September respectively.

The Miners' Federation opened their annual conference at Blackpool with Mr. Herbert Smith acting as chairman, supported by Mr. John Hodges, secretary. In contrast to the presidential addresses delivered at recent labour and trade conferences, Mr. Smith's speech was characterised by the complete absence of bitter and immoderate class antagonism. The Government policy in regard to the mines was condemned, but not as class legislation, while the helpful attitude of the owners towards the men as shown on the National Board and the direct relation of the prosperity of the one with the other were commented on and submitted. A resolution condemning the Trade Union Act, 1913, (Amendment) Bill was carried unanimously.

19th. The Miners' Federation rejected by a large majority a proposal to affiliate to the Red Trade Union International. South Wales introduced the resolution and was alone in supporting it. It was unanimously agreed to ask the Trade Union Congress to take steps to secure a minimum wage for all. The Conference discussed in private the question of terminating the present wage agreement and formulating a new one.

20th. Miners' Conference: The Federation decided that it is not at present opportune to consider terminating the wage agreement for the industry. The committee were authorised to consider and submit to the owners measures for improvement of the agreement and to discuss with the proper authorities plans

for rendering immediate assistance to the men. Lancashire proposed an amendment to terminate the agreement at the earliest opportunity, but was alone in supporting it. A resolution was passed to secure more equitable administration of the Unemployment Insurance Acts, (the Ministry of Labour is already holding an enquiry into the men's complaint that refusal to accept wages below the district rates determined by the agreement, is construed as a "dispute" and relief withheld). By another resolution, the Government was urged to grant old age pensions of £1 a week to all at the age of 60, irrespective of income.

Printing trade crisis: The action of The Typographical Association in balloting on the award given by the Industrial Court has given rise to a difficult situation. The men have rejected the award, but Sir David Shackleton holds that the award is final; both parties having consented to accept arbitration, it is impossible for the Ministry to recommence as conciliators. This is the first time an Industrial Court award has not been accepted.

21st. Miners' Conference: Resolutions were passed to try to get the abolition of wayleaves and royalties without compensation, to secure to the miners a voice in determining the price of coal, and to make it obligatory on colliery owners to supply all explosives to the workmen free of charge.

22nd. The London Constitutional Labour Movement held its annual conference. The Constitutional Labour Party, Unionist Labour Party, Women's Constitutional Labour Movement, Junior Constitutionalists' Labour Movement, National Clerical Union and local Constitutional Working Men's Associations were represented. Resolutions were passed in favour of producing the maximum of our foodstuffs at home and employing the maximum number of men on the land. It was urged that the provisions of the Safeguarding of Industries Act should be applied to all industries suffering from unfair foreign competition. The menace to this country of large foreign food trusts was also discussed.

Printing trade dispute: The Typographical Association, in a written statement to the Press, assert that it was understood by those concerned that, according to the constitution of the Association, the executive council had no power to accept arbitration without the consent of the members. It was, they state, agreed that the executive should recommend the Court's decision for acceptance and this they did.

24th. Printing trade dispute: In reply to the statement made by the Typographical Association, the Employers say that the president of the Association broke the rules of his society in

submitting the case to the Industrial Court without the consent of the men. Having done this he submitted the matter "for settlement," and it is obvious that if the Court's decision were not final, the whole machinery would break down.

The Australian Workers' Union has been fined in Sydney £300 on a charge of having encouraged their members to strike. Various officials connected with the Union have been fined £100 each in connection with the same offence. The dispute arose out of the Society's refusal to accept an Arbitration Court award and information was laid by the Graziers' Union.

26th.

Engineering dispute: The members of the A.E.U., General Workers National Union of Foundry Workers and other unions have, by ballot, rejected the proposed reduction of the 16s. 6d. war bonus in three instalments.

Printing Trade: The Printing and Kindred Trades Federation will hold a conference tomorrow to consider the position of all the societies affected by the dispute. The Typographical Association will not send a representative.

27th.

Engineering dispute: The executives of the Unions concerned in the ballot announced yesterday, after conferring with the employers, have strongly recommended their members not to give effect to the ballot vote, but to accept the terms offered. The reason given for this course is that they accept the employers' statement that the terms are imperative in the present state of industry.

28th.

Mr. George Lansbury announced his early resignation of the editorship of the *Daily Herald*. He will retain his position as general manager. The policy of the paper will, from the date of his resignation, be the official policy of the Labour Party and the General Council for Labour.

Engineering dispute: The Federation of Engineering and Shipbuilding Unions, although their ballot shows practically a two-thirds majority against the proposed cuts, are to follow the lead given by the A.E.U. and other unions, and accept the employers' proposals.

Dockers' Wages: The Joint Committee of Trade Unionists and Co-operatives, intervening in the wage dispute between shop assistants and the wholesale co-operative society have awarded maximum rates from 5s. to 10s. a day for work similar to dockers' work. The Unions object to the award as likely to prejudice the case of the dockers now contesting a proposed reduction of 2s. in their daily wage of 12s.

Mining industry: The National Wages Board met and discussed ways and means of relieving the miners. The proceedings were amicable and a further meeting was arranged.

ECONOMICS STUDY SCHEME, II.

By the time this issue of *Industrial Peace* is published all students competing for the prizes to be awarded on the merits of their written work should have forwarded the third and last paper to the Secretary. The examiners will do their best to get their work of reading and judging the answers done in time to make it possible for us to announce the names of the prize-winners on September 15th. All students who have submitted papers will receive a copy of that month's journal.

Miss L. Grier discusses in the following notes some of the thoughts and opinions to which the questions set by her in the third paper are likely to give rise.

The main object of the questions in this series is to elicit the thoughts and opinions of the writer. An equally good answer might be given, for instance, to question (1) by a student who preferred the tyranny of one man to that of a million and by a student who preferred the tyranny of a million to that of one. The answer must, in the final resort, be determined by the preference of the writer, while the goodness of the answer will be determined by the amount of thought given to the subject and the skill with which the arguments are marshalled. Reading and observation are needed so that the student may have food for thought and material for his arguments. But if his thoughts and arguments are not his own and do not spring from his convictions, they are worthless.

Much has been said and written about tyranny. J. S. Mill crushingly demolished the theory that a benevolent tyranny was the best form of government. The question, however, does not call for a discussion of the pros and cons of tyranny as a form of government but merely whether, given tyranny, it is better to live under the tyranny of a unit or of a multitude. Here then are the obvious lines of argument: the first, whether the government of one as compared with the government of many is likely to be more or less efficient; the second, whether it is likely to be more or less tyrannical. There is boundless scope for meditation and for difference of opinion.

In the second question the student is asked to define Democracy, remembering he has to maintain his definition when considering an existing form of Government. Here again the

British Government may fulfil the ideal of democratic government of one student and not of another. The students may select different definitions of democracy from the many that have been given, or may invent new ones of their own, and when they have done so they may or may not find representative government compatible with their idea of Democracy.

They may, for instance, define Democracy as a form of Government in which everyone has a voice in appointing those who govern. Having accepted this definition they may think that so many people in this country have a vote that the government is democratic, or they may think that so large a proportion is disfranchised that, in this definition, the Government is undemocratic.

They may take many other definitions of Democracy: "Government of the people, by the people, for the people," government which aims at "the greatest happiness of the greatest number," government by a majority, government by the unanimous approval of the country (or the nearest thing to it, since it is obvious that there would be no government if we waited for unanimity in either measures or men). Great divergencies of opinion on this subject are inevitable and the best papers will be those which show real conviction and power of stating a case.

In answering question (3) it will probably not be easy for the student to think of any fresh arguments in favour of luxury. So many have already been advanced and MacCunn has given a fairly exhaustive summary of the subject. Individual power is called for in classifying the arguments and giving them their due weight. The second half of the question calls for personal opinions; evidently the possibility of justifying luxury on economic grounds must be considered first. Here, for once, there is only one true answer, but the reasons for that answer should be clearly expressed. In considering the justification for luxury on grounds other than economic the answers will naturally vary partly according to the individual definition of luxury and partly according to the extent to which the writer thinks that the most important things of life are connected with luxuries.

Those to whom music and pictures and drama are vital will give a kindlier answer than those who delight their ears with the song of birds, their eyes with the sweep of open moors, and satisfy their interest in life by watching the crowds in the market place and the seething movement of a great railway station. Alike those who can only satisfy their love of art and their de-

sire for recreation by means of help given by others and those who can satisfy both without cost hold a position that can be maintained, though perhaps they will hold a surer one if they can see the scope and the limitations of others.

In question (4) the student is confronted with one of the most important economic problems of the day. It has not been solved by any philosophic or economic thinkers. It is not to be expected that any who answer this question should offer a complete solution.

But for that very reason it is more important that we should all think about it as vigorously as possible. If no worker is to lose his job, is he free to leave it whenever he chooses? In other words can contracts be for one period on one side and for a different period on the other? In some cases they are. In the educational and clerical world, for instance, there are certain appointments which are for life, save in the case of grave misdeemeanour, and yet the holder is free to abandon them if he will. Could this non-binding security of tenure be introduced more widely without grave disadvantages? Again, can the investor be free to invest where he will without running the risk of loss? Can 'free' trade be combined with protection?

It is not expected that the student will attempt to follow all these avenues of thought, still less all the others that are open to him. But he will choose one or two of those that seem to him the most important and, following them to a logical conclusion, he will see what light is thereby thrown on the general question. If many students follow different avenues and follow them well it should be possible for the reader to feel that something has been done towards obtaining a solution.





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